STATE OF THE
UGANDAN REFUGEE FINANCE SECTOR
2024 Edition

Supported by:
Agence Française de Développement (AFD)

Conference Edition

The French Ambassador to Uganda His Excellency Xavier Sticker speaks to one of the refugee micro entrepreneurs benefiting from Mercy Corps' ReFine program

MERCY CORPS

State of the Ugandan Refugee Finance Sector Report

Prepared By:

Mercy Corps ReFine team

Supported By:

Agence Française de Développement (AFD)

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List of Abbreviations

AFD	Agence Française de Développement (French Development Agency)
ASCAs	Accumulative Savings and Credit Associations
CRRF	Comprehensive Refugee Response Framework
CSOs	Civil Society Organisations
DFA	Digital Field Automation
DFS	Digital Financial Services
DLGs	District Local Governments
DRC	Democratic Republic of Congo
DREAMS	Delivering Resilient Enterprises and Market Systems
FDPs	Forcibly Displaced Persons
FIA	Financial Institutions Act
FSD	Financial Sector Deepening
FSP	Financial service provider
GBV	Gender Based Violence
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit(German Development Cooperation)
HCD	Human Centered Design
IFC	International Finance Cooperation
IKEA	Ingvar Kamprad Elmtaryd Agunnaryd
IRC	International Rescue Committee
KFW	Kreditanstalt für Wiederaufbau
KYC	Know your Customer
IVR	Interactive Voice Response
J4R	JobTech for Refugees

MDI	Microfinance Deposit-Taking Institutions
MFIs	Microfinance Institutions
NDP	National Development Plan
NFS	Non-Financial Service
NGOs	Non Governmental Organisations
MNO	Mobile Network Operator
OPM	Office of the Prime Minister
PROSPECTS	Partnership for improving prospects for forcibly displaced persons and host communities
RBC	Responsible Business Conduct
Re BUILD	Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development
REFINE	Refugee Finance to Grow Income, Assets, Resilience Through Bundled Services
RHD	Refugee Hosting Districts
RLOs	Refugee Led Organisations
ROSCAs	Rotational savings and Credit Associations
RUFI	Rural Finance Initiative
SACCOs	Savings and Credit Cooperative Organizations
SDG	Sustainable Development Goals
STA	Settlement Transformative Agenda
UBOS	Uganda Bureau of Statistics.
UGAFODE	Uganda Agency for Development Limited
U-LEARN	Uganda Learning, Evidence, Accountability and Research Network
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNFCC	United Nations Framework Convention on Climate Change.
UNHCR	United Nations High Commission for Refugees
USSD	Unstructured Supplementary Service Data
VSLA	Village Savings and Loans Associations
WASH	Water Sanitation and Hygiene
WFP	World Food Program

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State of the Ugandan Refugee Finance Sector

Mercy Corps

Mercy Corps is powered by the belief that a better world is possible. We are an international non-governmental organization that exists to alleviate poverty and oppression by helping people build secure, productive, and just communities. Present in Uganda since 2006, Mercy Corps Uganda's aim is to catalyze change through the Ugandan private sector, civil society, and government to create resilient, economically inclusive, healthy, and secure communities. We have managed over 15 programs across Uganda with a total portfolio value of $80M, including support from FCDO, USAID, US State Department, French Development Agency, Conrad Hilton Foundation and other private sector foundations. With a strong presence across the country, we have offices in Kampala, Rhino Camp, Yumbe, Moroto, Kotido, Amudat, Kaabong, and Gulu.

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Authors

The State of the Uganda Refugee Finance Sector Report 2023 was prepared by the Mercy Corps ReFine team. The team was led by David Darkwa - Program and Strategy Lead (ReFine) and supported by Peter Otala - Senior Project Officer (ReFine).

The authors are grateful to several colleagues within Mercy Corps Uganda and the Global team for their contributions: James Love - Director of Programs, Mercy Corps Uganda, Ezekiel Owere - Grants Management Specialist, Maureen Kamusiime - Technical Advisor, Climate Change, Livestock and Agriculture, Sambou Coly - Director, Financial Inclusion – Global and Nicholas Meakin – Senior Advisor, Digital and Financial Inclusion (Technical Support Unit).

▲ **Above:** **A facilitator engages refugee participants at a ReFine Business Clinic in Yumbe**

Executive Summary

Refugee finance is commonly defined as the collective provision of financial and non-financial services to meet the varied and complex economic needs of the displaced population. In the context of reduced humanitarian funding and rising global displacement, donors and humanitarian actors are increasingly seeking sustainable, market-led solutions to meeting the complex and growing needs of refugees. Effective refugee finance can address needs along the displacement cycle, from ‘survival cash’ during the early stages of displacement, to financing for education, health and livelihoods during the later stages of protracted displacement.

Uganda is home to Africa’s largest population of refugees, many of whom are in protracted displacement, fleeing conflict in neighboring states. At the same time, Uganda operates a world class settlement policy, where refugees enjoy rights to free movement, to work and to lease property. The combination of Uganda’s pioneering approach to its refugee population, as well as an enabling policy environment, has spurred the development of a nascent refugee finance space, in which government, humanitarian, development and private sector partners are innovating solutions to providing financial services and access to credit for this under-served segment of the population.

The 2024 ‘State of the Uganda Refugee Finance Sector’ report provides a detailed overview of the evolution and current state of the refugee finance sector in Uganda, key drivers, and levers as well as demand and supply-side constraints. The report shares learnings and recommendations arising from several refugee finance programmes, including Mercy Corps’ ReFine programme, funded by Agence Française de Développement (AFD) with the goal of contributing to the growth and development of the refugee finance sector.

The growth of the space has generated a number of lessons and evidence for best practice. These include the need for flexibility in know your client (KYC) requirements, the recognition of new forms of collateral including group guarantees, the development of innovative service models for hard-to-reach communities such as agent banking and a more nuanced understanding of refugee market segmentation. These lessons can inform better practice by actors in Uganda and more widely.

As the sector continues to develop, challenges remain, which will require continued strong partnership between donors, humanitarian responders, development actors and the private sector. Challenges include a pronounced gender gap in accessing financing and meeting loan collateral requirements, relatively high transaction costs, a potent language barrier, an aid dependency mindset among refugees, limited technical expertise in developing and marketing inclusive and gender-responsive refugee finance products, and limited capital to expand refugee finance portfolios. Potential solutions lie in supporting financial institutions to develop gender responsive and well segmented products, leveraging technology for increased access and reduced transaction costs, and developing the capacity of refugee-led organizations to play a linkage and impact multiplier role.

The development of this report was made possible by the generous support of AFD in Uganda.

Above: FINCA signage at a ReFine business clinic

1. Overview of Global Refugee Finance

KEY TAKEAWAY:

Against the backdrop of reduced humanitarian funding and a rapidly growing humanitarian burden, humanitarian actors are actively seeking sustainable solutions for the forcibly displaced from the market. Refugee finance, loosely defined as the provision of relevant financial and non-financial services by market actors such as financial institutions or fintechs, is helping to sustainably address the varied needs of the displaced along the displacement continuum. But inclusive, responsible and effective financial services provision does not just happen organically and requires deliberate and coordinated efforts from different actors in the policy, financial and development spaces.

Structure of the report

This report seeks to establish the importance of an inclusive access-to-finance environment for forcibly displaced persons (FDPs) or refugees, assess the extent of the refugee finance gap and its nuances, outline the significant factors responsible for overall growth in the financial sector, and draw lessons for policy makers, regulators, global development agencies and the private sector. By sharing learnings, innovations, and best practices from over a decade of humanitarian and market systems programming in the Ugandan refugee space, the ultimate vision of this report is to support the growth and development of the refugee finance sector.

This report is structured into five main chapters:

- **Chapter 1** introduces the concept of refugee finance and its significance in closing the financing gap for refugees in present times, presents key industry highlights leading to the development of the space globally, and introduces the concept of the displacement phase along with the key financial needs of refugees within the context of these phases. Finally, it highlights the key actors in the refugee finance space and the general determinants of financial inclusion of refugees.
- **Chapter 2** provides an overview of the state of financial inclusion for the displaced in Uganda by articulating the scope of the financial exclusion challenge in the refugee context and outlining the demand gaps in need of closure. It also presents the principal supply and regulatory actors in the space and their typical constraints to serving refugees.
- **Chapter 3** highlights all the key drivers and levers affecting the growth of the refugee finance sector. The report defines drivers as the external forces to supply side factors that influence the growth or decline of financial services to refugees and ultimately the growth of the industry; levers on the other hand are the endogenous factors that are within the control of supply side actors in the space, and which influence shifts in the

market. It concludes by summarizing the key innovations and policy directives that have contributed to the country's growing refugee finance space.

- The first part of **Chapter 4** details the common challenges faced by the key demand, supply and regulatory sides of the refugee finance space, paying attention to special interest groups and their unique challenges, and also discusses different approaches employed to navigate these challenges. The second part of the chapter focuses on lessons learned from an ongoing Mercy Corps-managed refugee finance project in Uganda (ReFine), which can benefit other refugee finance actors in regional or global contexts.
- **Chapter 5** presents strategic recommendations for addressing the identified challenges based on global best practices and learnings from ReFine. It also summarizes the evolving trends and innovations presented in the previous chapter and sets expectations for the evolution of the sector in the next five years.

▲ **Above:** Housing structure put up by a refugee in Moyo district, Uganda

Introduction

The past decade has witnessed a significant increase in forced displacement due mainly to conflict and climate change. The UN High Commission for Refugees (UNHCR), the United Nations' refugee agency, estimates that the world's refugee population has nearly tripled since 2012, growing substantially from 43.3 million in 2009 to about 117 million today[1]. The war in Ukraine coupled with increasing climate shocks and protracted conflicts in countries around the world continue to force people to leave their homes, culminating in the biggest displacement crisis of our time[2]. Coupled with an increase in numbers, the length of time refugees spend displaced has also seen a significant increase[3]: UNHCR assesses that the average time a person remains in a protracted displacement situation is now seventeen years and 55% of all refugees are estimated to have been in protracted displacement for more than ten years.

Simultaneously, the global economic downturn has forced donors and development agencies to introduce cuts to humanitarian aid to refugees across numerous responses. In October 2022, UNHCR estimated that its funding cuts have created an unprecedented $700 million gap to enable continued support for refugee lives and livelihoods across the globe[4]. As a result, interventions from global humanitarian relief agencies are gradually shifting from emergency response to resilience and development-based responses. These developments have put an emphasis on an emerging need: while immediate humanitarian aid is critical for addressing immediate life-saving needs of refugee communities, economic opportunity is needed for a sustainable, longer-term response. Such opportunities are most meaningfully delivered through the private sector and a market-based approach[5].

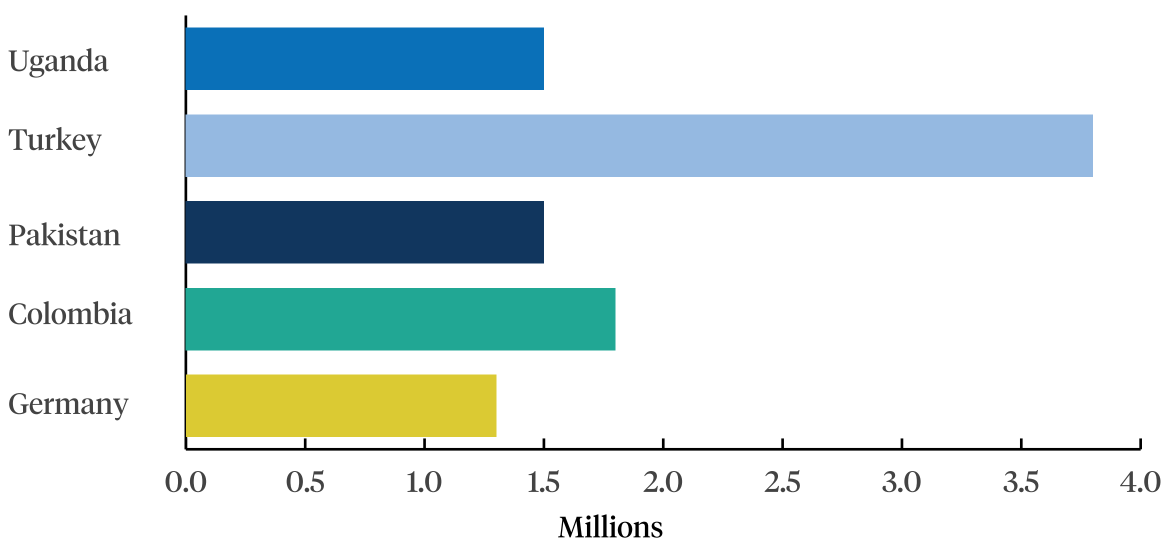

Figure 1. The top 5 refugee hosting countries in the world

It is important to note that the majority of the world's refugees and internally displaced people are hosted by countries that have fragile economies. According to UNHCR's statistics, at the end of the 2022 over 73% of the world's refugees were hosted by developing countries, who often need help themselves in stabilizing their economies and managing the humanitarian and socioeconomic burden that opening their borders represents[6]. This means that efforts to address the looming global refugee crisis must necessarily consider supporting the host country and its humanitarian and market actors to provide both immediate and longer-term solutions for the newly displaced.

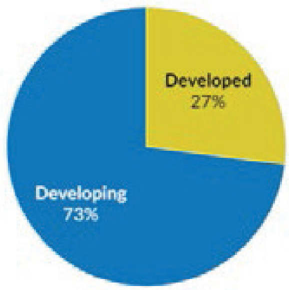

Figure 2: Refugees: 1990 - 2022: Source: UNHCR

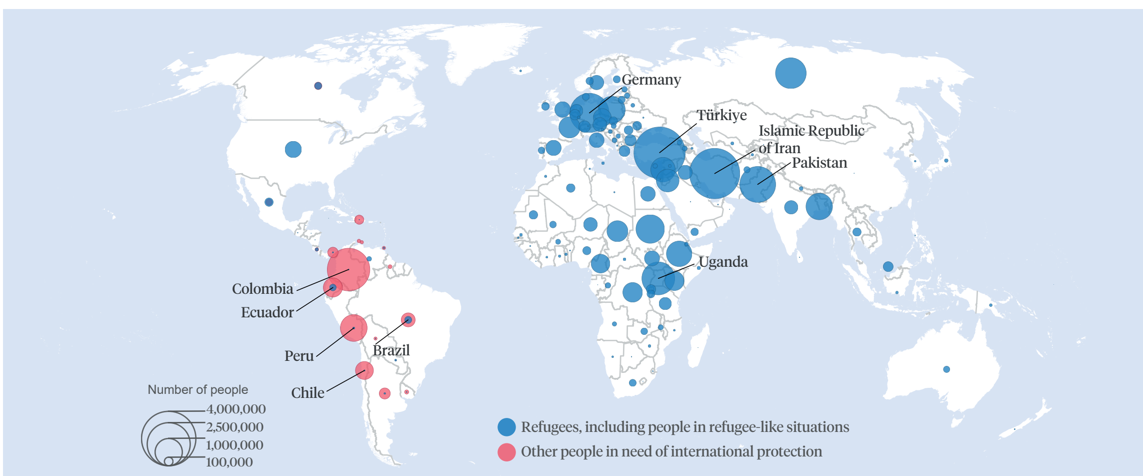

Figure 3: A map of the world showing major refugee hosting countries and others in need of international protection.

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[1] https://reporting.unhcr.org/globalappeal
[2] If current trends continue, the total number of forcibly-displaced people will increase to over 300 million by 2030. Indeed, some forecasts cite that over 250 million people could be displaced by climate factors alone by 2050.
[3] Length of time people are displaced keeps growing: average time a person remains in a "protracted displacement situation" – i.e. 5+ years) is 17 years
[4] https://www.unhcr.org/news/news-releases/unhcrs-unprecedented-us700m-funding-gap-spells-catastrophe-millions
[5] This conclusion was reached at the 2016 UN World Humanitarian Summit and expressed through the fifth Core Commitments of the UN's Secretary-General's Agenda for Humanity launched at the summit
[6] https://www.unhcr.org/refugee-statistics/insights/explainers/refugee-host-countries-income-level.html

What is refugee finance and why is it significant?

Displaced people who flee their home countries due to conflict, climate change, or other crises, often face significant economic hardships that require both immediate and long-term solutions. Those who enter a host country as refugees often do so in a destitute state, in need of food, shelter, basic amenities and core financial services for survival. UNHCR and other global agencies invest significant amounts each year in refugee-hosting countries in order to provide emergency assistance and protection to refugees. Very often assistance involves providing food aid, cash assistance, shelter/NFIs, WASH protection and livelihoods support, in order to stimulate markets and enable refugees to recover from crisis. Recovery often requires the displaced to rebuild their economic lives with financial products in order to save, obtain credit, make and receive payments, mitigate shocks with insurance, and make productive investments that contribute to the local economy[7].

▲ **Above:** A female refugee stands behind her stall in Rhino Camp, Uganda

The collective provision of financial and non-financial services to meet the varied and complex economic needs of the displaced population is what is commonly known as **refugee finance.** This includes provision of credit to meet the daily needs of the displaced, provide start-up capital for income generating activities and increase refugee asset base. It also includes critical financial services such as remittances, payments, savings, and insurance as well as non-financial services, such as market information and access, vocational training and business development services, which refugees require to live productive lives. The failure of host countries to provide a supportive set of financial services, economic tools and infrastructure that serves refugees pushes many refugees

[7] El-Zoghbi, Chehade, McConaghy, and Soursoursian (2017), The Role of F inancial Services in Humanitarian Crises.

into negative coping strategies, which entrench existing vulnerabilities and contributes to refugee financial exclusion.

Historically, support to refugees has focused on providing emergency humanitarian aid and solutions to refugees within their first years of arrival. However, the sheer size of the humanitarian funding gap and the growing number of displaced persons globally is forcing humanitarian and development actors to rethink purely humanitarian aid and seek long-term, sustainable solutions for refugees. Global commitments (such as the Grand Bargain of 2016) have called on commercial financial institutions, corporate investors and other partners to employ market-oriented approaches in displacement contexts, to improve the availability of economic opportunities for poor people. Refugee finance is one of the market-oriented approaches that is helping to address the significant funding gap for refugees.

The displacement phase and key financing needs

Refugees are socio-economically diverse, and their financial needs evolve with the length of time they remain in the host country. The displacement phase is the term given to the length of time displaced persons spend in forced displacement, beginning from when they are forced out of their homes until they find a more stable situation, either by returning home, integrating into the host community, or resettling in a third country. UNHCR has identified four distinct phases for the average refugee: Arrival, Initial Displacement, Protracted Displacement, and Permanence. Refugees' financial needs evolve over time, depending on their displacement phase, ranging from survival cash at the time of arrival, to more comprehensive services such as savings, payments and credit during the protracted and permanent phases.

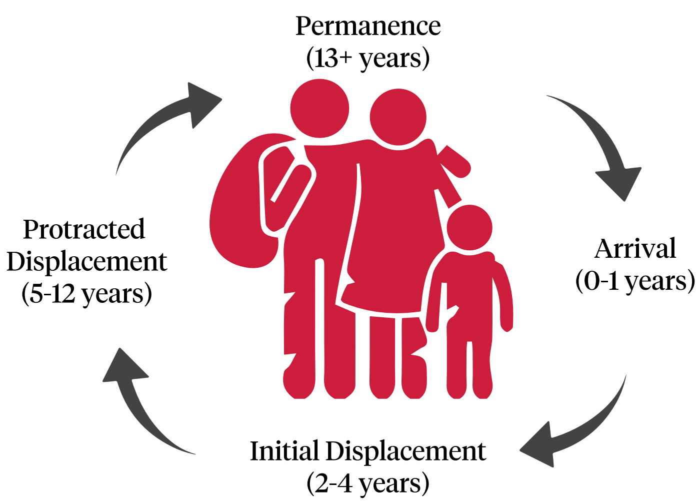

Figure 4: The displacement phase of refugees

Box 1: Significant global commitments that have shaped the refugee finance landscape across the globe

1947 UN Convention on the Status of Refugees:

The United Nations Convention Relating to the Status of Refugees, adopted in 1951 and its 1967 Protocol, established the legal framework for the protection of refugees. These agreements defined who is a refugee and outlined their rights and the responsibilities of states.

1956 UNHCR Statute:

The United Nations High Commissioner for Refugees (UNHCR) was established in 1950. The 1956 Statute of UNHCR expanded its mandate and defined its role in protecting and assisting refugees globally.

1996 Comprehensive Plan of Action for Indochinese Refugees:

This comprehensive plan aimed to address the challenges posed by the Indochinese refugee crisis in the 1970s and 1980s. It emphasized a more coordinated and comprehensive approach to refugee situations.

2004 UN Secretary-General's High-Level Panel on Threats, Challenges, and Change:

The report of the High-Level Panel on Threats, Challenges, and Change emphasized the importance of addressing the root causes of conflict and instability, linking security, development, and human rights.

2005 World Summit Outcome Document:

The World Summit Outcome Document included commitments related to the Responsibility to Protect (R2P), recognizing the international community's responsibility to protect populations from genocide, war crimes, ethnic cleansing, and crimes against humanity.

2010 New York Declaration for Refugees and Migrants:

Adopted at the UN General Assembly, the New York Declaration reaÿrmed commitments to protect the rights of refugees and migrants and initiated processes leading to the Global Compact on Refugees and the Global Compact for Safe, Orderly, and Regular Migration.

2016 UN Summit for Refugees and Migrants:

This summit led to the adoption of the New York Declaration's Comprehensive Refugee Response Framework (CRRF), emphasizing a whole-of-society approach and the inclusion of development measures in responding to refugee crises. All 193 U.N. Member States recognize the rights of refugees and migrants and pledge to support countries that host them.

2016 World Humanitarian Summit:

The World Humanitarian Summit, held in Istanbul in 2016, was a pivotal event that brought together global leaders, humanitarian organizations, and stakeholders to address the challenges faced by the humanitarian sector by adopting a more integrated and sustainable approach to addressing humanitarian challenges.

2018 Global Compact on Refugees:

The Global Compact on Refugees, adopted by the UN General Assembly, builds on the CRRF and provides a framework for more predictable and equitable burden- and responsibility-sharing, including development contributions to address the refugee crisis.

The table below describes each phase in detail as well as the accompanying financing needs of refugees, whether purely financial or non-financial. Financial services such as credit, investments and insurance are typically demanded by refugees in the protracted displacement phase. Understanding how the financing needs of refugees ebb and flow with their displacement phases is imperative to adapting the financial system to meaningfully include them.

Displacement Phase	Key Financial Needs
Phase 1: Arrival (0-1 year) Focus on immediate basic needs for protection, shelter, food, medical services, and communications technology to reconnect with family	**Survival cash** for housing, food, medical services, and often to repay debt incurred during escape.
Phase 2: Initial displacement (2 - 4 years) Focus on access to housing, education, learning the language, work, or business start-up	**Financial services:** Savings, remittances to family in country of origin; micro-/consumer credit for furniture, appliances, school fees, business equipment; and health insurance. This demand can remain latent due to real or perceived financial exclusion. **Non-Financial services:** Market information and access, job placement/vocational training, business skills, life skills and social interaction with hosts.
Phase 3: Stable/protracted displacement (5 - 12 years) Focus on making an increasingly better living	**Financial services:** Savings products, micro/consumer credit, mortgage/home improvement loans, business loans, transactional accounts for cross-border payments and remittances, and health insurance. **Non-Financial services:** Job placement, vocational or business training, linkages to the market /value chains, social/business interaction with hosts.
Phase 4: Permanence (13+ years) Focus resembling host population, i.e. livelihood building to ensure the best life possible for self and family.	**If integration is the goal,** financial service demands become more sophisticated and resemble those of hosts: savings, pension plans, credit, insurance, and transnational services (e.g. line of credit, remittances, insurance for family in country of origin). **If return/resettlement is the goal:** Savings for journey, transferable credit history (certificate), transferable pension schemes, and deferred annuities.

Table 1: Displacement phase of refugees and their financial needs

Source: UNHCR-SPTF-Serving Refugee Populations – The Next Financial Inclusion Frontier: Guidelines for Financial Service Providers

Primary stakeholders within the refugee finance ecosystem

Refugee finance stakeholders can be broadly categorized by demand, supply and regulatory actors.

1. The demand side comprises actors[9] who seek to access and use financial services such as:

- Individuals (refugees and hosts)
- Self-managed groups such as village savings and loans associations (VSLAs), refugee led organizations (RLOs) or agricultural producer cooperatives
- Businesses defined as refugee-owned or refugee-led

2. On the supply side, actors include:

- Formal and informal financial service providers who provide both financial and non-financial services. These include commercial banks, Microfinance institutions or MFIs, forex bureaus, Savings and Credit Cooperative Organizations or SACCOs, fintechs, moneylenders, local and international skills building agencies.
- Guarantors or underwriters whose primary role is to provide risk-sharing coverage to lenders (e.g., credit or loss guarantees) in case of default
- Support partners who provide ecosystem support to other supply side actors and demand side actors. Their support typically includes technical assistance, catalytic grants, research and knowledge.

3. Regulatory and policy actors include:

- These government agencies ensure that the financial sector is well regulated, inclusive and transparent to serve the needs of vulnerable populations, including refugees. They typically supervise all formal financial service providers and also enact laws and policies that are meant to deepen financial services in the country. Central banks, regulatory and standards-setting bodies are examples of this actor as are policymakers on migration and refugee management.

Left: Entrance to Hope of Children and Women (Victims of Violence) - HOCW; an urban-based Refugee Led Organization (RLO) that supports afflicted refugee women to rebuild their livelihoods. RLOs are important stakeholders in the refugee finance ecosystem that are crucial to helping refugees achieve self-reliance.

[9] https://refugeeinvestments.org/wp-content/uploads/2019/06/RINlens.pdf

Determinants of financial inclusion for forcibly displaced persons

Access to financial and non-financial services is an important precondition for sustainable livelihoods for the displaced and has been the subject of much interest over the years. Unpacking the key issues that determine how inclusive a host country's financial system is for refugees usually requires an exploration of the financial market through three major lenses: demand, supply and the market's ecosystem of actors.

On the **demand** side, key determinants such as those below need to be considered for a comprehensive understanding of refugee needs[10].

- Prior economic economic participation (experience, education, networks)
- Their social characteristics (age, gender)
- The reasons for their migration (conflict, climate change, persecution, economic factors) and their migration routes
- Their location (rural, peri-urban or urban)
- Vulnerabilities (e.g. trauma and/or poor health)
- Human and social capital and income generating capacities and opportunities
- The displacement phase of the displaced population

Gender is a decisive factor that affects financial and non-financial service needs. Gender inequalities often mean that women have less access to and control over resources and therefore are less able to access and use financial products and services than their male counterparts. Many barriers FDPs face that lead to exclusion are amplified for forcibly displaced women due to gender-related discrimination and social norms that tend to be patriarchal in nature[11]. The issue of gender is more pronounced in Sub Saharan Africa (SSA) and the Middle East and North Africa (MENA) than other regions: the region has the highest gender gap in financial services access in the world (13%) compared to the global average of 4%[12] . Providers in the SSA/MENA region desirous of availing gender inclusive financial services to the refugee segment must ensure that these services are designed and delivered in a way that reflects the specific needs, opportunities and constraints of women.

The structure of the financial market in the host country is also crucial in supporting a refugee population to thrive, as is the perception of the refugee population of the providers of these services. Key determinants influencing the **supply** of financial services to the FDP segment include:

[10] Source: "UNHCR/SPTF" 2017. Serving refugee populations: the next financial inclusion frontier: Guidelines for Financial Service Providers. UNHCR, SPTF 2016.
[11]https://www.afi-global.org/wp-content/uploads/2022/11/The-Financial-Inclusion-of-Forcibly-Displaced-Women.pdf
[12] Global Findex 2021
<https://thedocs.worldbank.org/en/doc/45619be5de8592403df8558559627234-0050062022/original/Findex-GenderBrief.pdf>

- The maturity of innovations and an inclusive financial ecosystem (such as agent banking, digital or mobile financial services, and credit reference bureaus),
- Availability of cheap short and long-term capital deployed through non-traditional avenues to vulnerable populations (such as non-collateralized loans, low-interest credit, shariah-compliant lending, etc.)
- The growth and maturity of microfinance and community banking entities (since many refugees have small-scale entrepreneurial activities and farming occupations),
- Partnerships and the degree of collaboration between governments, FSPs, humanitarian and development organizations aimed at supporting the refugee population (a phenomenon now referred to as the humanitarian-development nexus),
- The priority placed on non-financial services such as financial and digital education, business development services (mentoring, coaching, sensitization of business formalization),
- The number and quality of market and livelihood program linkages that create opportunities for economic self-reliance via pathways such as agriculture, education, health, technology, water, sanitation and hygiene (WASH) projects among others.

These factors affect the risk appetite of the financial service providers (FSPs) with regards to the refugee population and determine whether refugees are perceived as an economically viable market. In most economies, some degree of market facilitation is almost always required by government or development agencies to ensure that grants, technical support services, loans, or blended finance facilities to supply-side actors are tested to provide the needed evidence and business rationale for pursuing this segment.

Finally, the **policy and regulatory environment** in a host country largely determines the business and legal climate for an inclusive financial market to prevail. On the ecosystem side:

- The existence of clear and inclusive legal and regulatory frameworks that recognize the rights of refugees to access financial services is fundamental. These should clarify issues related to identity issuance and management, Know Your Customer (KYC) legislation in financial account opening for refugees, right to work, right to self-employment and even access to cooperatives.
- The presence or absence of policy signals in national development plans, national financial inclusion strategy documents, etc. communicates the intent of the government in providing an enabling environment for the support of this segment.
- Creating safeguards to protect refugees from predatory financial practices is also crucial. Refugees are often vulnerable to financial exploitation, so regulatory measures should be put in place to prevent this occurrence. This is known as responsible finance.

The task of creating an inclusive financial services market for the FDP segment requires the involvement of all stakeholders (governments, regulators, financial and non-financial service providers, development agencies) to strengthen cross-sector partnerships, improve risk perception by and towards refugees, develop financial infrastructure and service provision, ensure financial education and client protection, and enhance refugee participation in the local economy.

▲ **Above:** Bank of Uganda. Central banks are important policy actors in establishing favourable legal and policy contexts for refugee financial inclusion interventions to thrive.

2. Overview of the Uganda Refugee Finance sector

KEY TAKEAWAY:

Uganda's unique approach to refugee management coupled with its dynamic financial services and digital ecosystems have been supportive in driving the growth of refugee finance in the country. At nearly $500M, the annual market demand for financial services in the refugee and host communities is attractive and is likely to increase in the wake of humanitarian funding cuts in Uganda's refugee response. Engaging commercial actors like banks, MFIs and fintechs to consider serving this market with nuanced, inclusive and responsible offerings in partnership with development actors is an imperative for the growth and development of Uganda's refugee finance ecosystem .

Uganda hosts over 1.5 million refugees and is the third largest refugee-hosting country in the world (and the largest in Africa) in absolute terms[13]. The great majority of refugees (almost three-quarters) are South Sudanese, followed by Congolese from the Democratic Republic of Congo (DRC) as well as a more limited number of Burundians, Somalis, and Rwandans. Two-thirds of the refugee population (primarily from South Sudan) are hosted in the West Nile and Acholi sub-regions in Northern Uganda, while the remaining reside in the South-West (17%), Mid-West (8%), and Kampala (7%). Most refugees live within a total of thirteen settlements, while self-settled refugees primarily reside in Kampala and other urban centers. It is also noteworthy that 60% of all refugees in Uganda are children, and slightly less than 40% who are of working age live in relatively large households and with an average of seven (7) dependents.

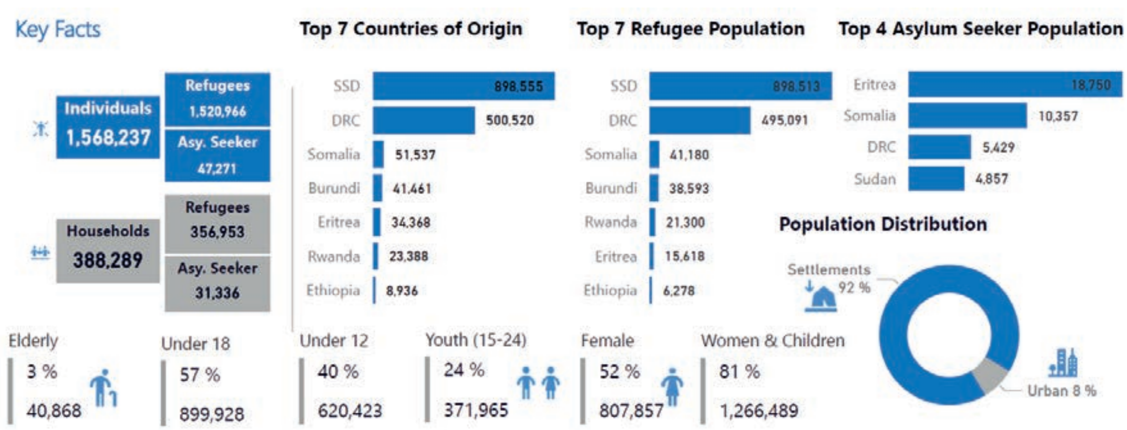

Figure 5. Overview of Refugees and Asylum-seekers in Uganda as of 31-July-2023 reported by UNHCR.

In line with the Refugee Act (2006) and the Comprehensive Refugee Response Framework[14] (2017) (CRRF), the Ugandan government pursues a non-encampment approach to refugee management and provides refugees with the right to work, mobility, and the opportunity to integrate into communities (beyond the existing refugee settlements in the country). In addition, refugee households are allocated plots of land for housing and cultivation in designated refugee settlements. In the settlements, refugees receive monthly food rations and essential non-food household items and can access social services provided by humanitarian agencies. In coordination with the government, UNHCR and partners continue to provide protection and humanitarian assistance to refugees in Uganda and support efforts towards a comprehensive refugee response.

The government agency responsible for managing all refugee affairs together with the development and private sectors is the Office of the Prime Minister (OPM). In this context, access to financial services is considered[15] as a critical lever for the resilience of refugee populations, both for migratory transfers and for local economic integration. While the financial inclusion of Ugandan populations has generally increased (78% of the adult population had access to financial services in 2018, compared to 57% in 2006[16]), access to credit is still limited and relies, for the most part, on informal mechanisms.

The refugee finance sector in Uganda has grown significantly since 2011. This growth has been fueled in no small part by the rise in digital financial services, especially mobile money. According to a study conducted by U-Learn in collaboration with the Uganda Inter-Agency Cash Working Group (CWG), the Livelihoods and Resilience Sector Working Group (LRSWG) and UNCDF in 2022[17] mobile money is the most popular channel for receiving financial assistance as well as for commercial use for both refugees and host communities. The study further reveals that 64% of refugees use mobile money, 17% of refugees and 15% of host community members use banks, while 52% of refugees have or are receiving over the counter (OTC) or direct financial assistance[18] - the second-most frequently preferred financial assistance mechanism in most refugee and host communities. These statistics are fairly consistent with the FSD Uganda 2020 Baseline report finding that estimates formal financial inclusion (use of both mobile money and supervised FSPs) among refugees in West Nile and South Western Uganda to be 38.6%.

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[13] https://data.unhcr.org/en/country/uga

[14] As a pilot country for the implementation of the 2016 UN Declaration (Commitment of UN Members States to apply a "Comprehensive Refugee Response Framework (CRRF) in the event of significant or large-scale movements of people seeking international protection, as well as protracted refugees situation", see Ruaudel H. & Morrion-Metois S, 2017, Responding to Refugee Crisis, lessons from evaluations in Ethiopia and Uganda as countries of destination, OECD, 2017.

[15] Wilson K., 2021, Financial Inclusion for Refugees: learning from Financial Sector Deepening Uganda, Case Study, The Fletcher School, Tuft University, 6 pp.

[16] FinScope Uganda 2018 Survey Report.

[17] https://www.uncdf.org/article/7894/digital-savings-groups-for-refugees-in-uganda

[18] Grit, Skills and Luck: Examining the financial lives of refugees in Uganda. FSD Uganda & BFA Global 2020 <https://bfaglobal.com/baseline-report-refugees-uganda/>

▲ **Above:** Focus group discussion with refugee respondents in Rhino Camp, Uganda

Demand Side Profile
Needs and constraints

Uganda's economy is predominantly agrarian with about 80% of the population engaged directly or indirectly in agriculture[19] (UBOS, 2022). Like host communities, many refugees are engaged in agricultural activities along various value chains as well as other business activities. Farming is often practiced on a subsistence level with basic tools and implements; those who desire to practice commercial farming, however, are often constrained by land tenure systems, inadequate capital, lack of agricultural extension services and effective market linkages. Many refugees in Uganda, like most nationals, are also involved in some kind of trade, whether in retailing of fast-moving consumer goods, artisanry, tailoring, weaving, shoemaking, or technology and require financing for additional working capital requirements to expand. A high percentage of the youth also lack skills other than those related to agriculture, which would enable them to engage in other income generating activities[20]. Such youth would benefit from skills development, support in business formalization and development of market driven skills provided through technical and vocational training and help to minimize the high rate of business failure in the early years[21].

In 2021, an International Finance Corporation (IFC) Consumer and Market Study in South-West and West Nile-refugee hosting areas of Uganda valued the annual refugee market (consumer spending) at UGX 1.7 trillion ($485 million), noting that the West Nile region accounts for $246m (UGX 885b) with the Southwest region contributing $239M (49%) to the total[22]. The majority of this value is driven by hosts (85% in the case of West Nile) and by the refugees in protracted displacement. In the case of the refugees, this finding speaks to the displacement phase outlined earlier: refugees who have stayed in the host country for a long period of time focus on more sustainable livelihood options which require more access to credit compared to new arrivals who often depend solely on food and cash aid. This study also noted that borrowing from formal FSPs is generally uncommon in settlements and encumbered by several challenges.

A key challenge faced is related to limited access to traditional formal financial services like banking. To cope with this, refugees frequently rely on informal and semi-formal sources. Most depend on a relatively more accessible financial service like mobile money (59%), loans from informal groups (15%) and savings in groups (57%[23]).

[19] Uganda Bureau Of Statistics (UBOS), 2022 20
[20]https://reporting.unhcr.org/sites/default/files/UNHCR_UNCDF_FinancialInclusion_ForciblyDisplaced_HostCommunities.pdf
[21]https://www.newvision.co.ug/category/business/why-ugandan-smes-struggle-to-grow-NV_137801
[22]https://www.ifc.org/en/insights-reports/2021/consumer-and-market-study-in-southwest-and-west-nile-refugeehosting-areas-in-uganda
[23]Rebuilding livelihoods and displacement - Endline March 2022 - BFA Global, FSDU, FSDA, UKAID

Those refugees who access loans from formal providers (e.g. banks and microfinance institutions), often under group-lending methodologies, generally receive small ticket-size loans which are usually inadequate for their needs. The average business loan ticket sizes for most refugees range from UGX 1 million (~USD 260) to UGX 5 million (~USD 1,300) and may be insufficient for a micro-entrepreneur to make critical investments to grow their business[24]. Refugees also find it hard to cope with collateral requirements (as they cannot own land or generally migrate with few assets), are unable to prove creditworthiness by providing evidence of a credit history, and often lack a regular income to make recurring repayments. Additional barriers to accessing and using formal finance include long distances to branches or agents, liquidity shortfalls even when agents are identified, loan terms and conditions that are perceived as unclear and inflexible repayment terms.

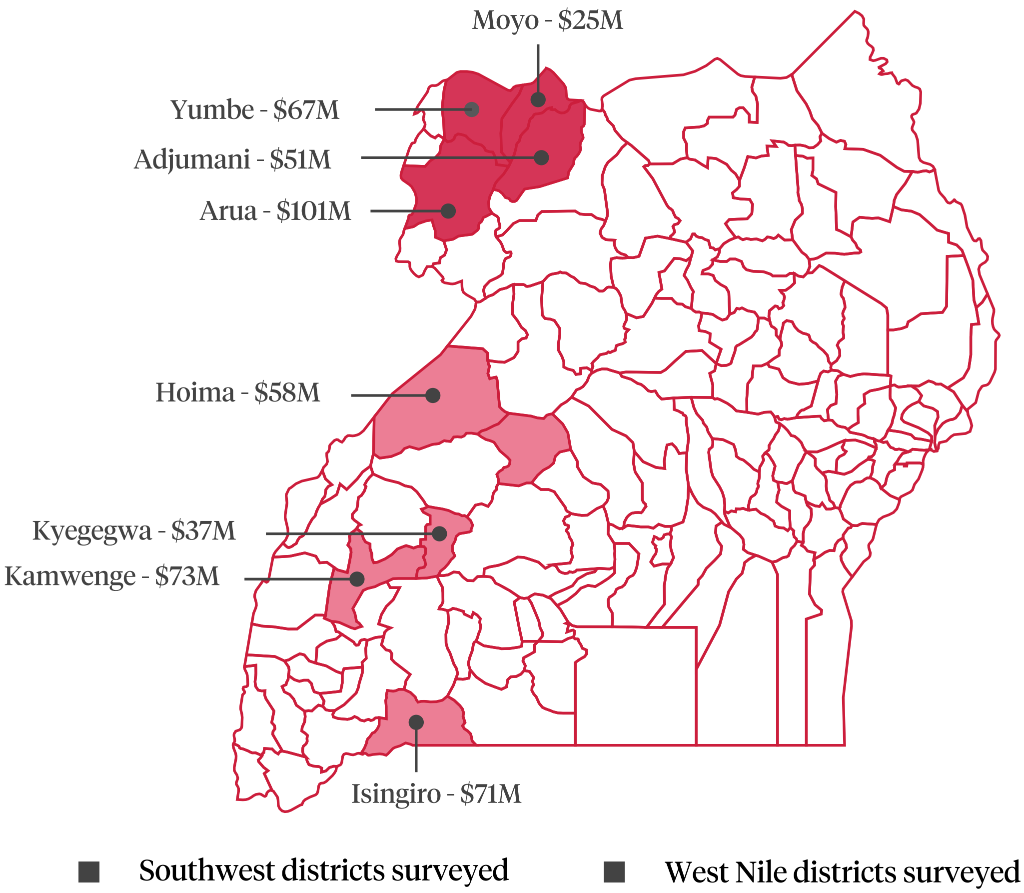

Figure 6[25]: Market size [in USD terms] of key refugee hosting districts in Uganda
Source: IFC Report: Consumer and market study in Southwest and West-Nile refugee hosting areas in Uganda - 2021

[24] https://www.unhcr.org/sites/default/files/legacy-pdf/5bd01fab4.pdf
[25] Source: IFC Report: Consumer and market study in Southwest and West-Nile refugee hosting areas in Uganda - 2021

Credit usage among refugees

Credit is an important financial use case in the discussion of inclusive finance for refugees. Credit is not only an indicator of financial maturity and responsibility on the demand side but also represents the *"hook"* for the commercial actors when considering an entry into this market. Due to the recent reduction in funding for cash assistance in Uganda[26], there is now a more urgent need to develop an inclusive financial ecosystem within Uganda's refugee response. Currently, Uganda is one of UNHCR's most underfunded operations, with just 46% of US$ 343.4 million received for 2022 and WFP has reduced food rations to refugees at least three times since 2020[27]. Furthermore, there is a threat of a complete pipeline break for food assistance, anticipated in December 2023, if funding is not secured soon[28]. This development means refugees are coping with both reduced food and cash and may have to resort to borrowing, often at a high cost, to meet their food and other consumption needs. Those involved in productive ventures who need access to capital, may have to access it at prohibitively high costs, which often leads to over indebtedness. To mitigate this, emphasis should be placed on enabling them to access and use reasonably-priced credit in a responsible manner to support productive, income-generating activities, which lead to an increase in their incomes and assets.

Views about formal financial services among refugees and host

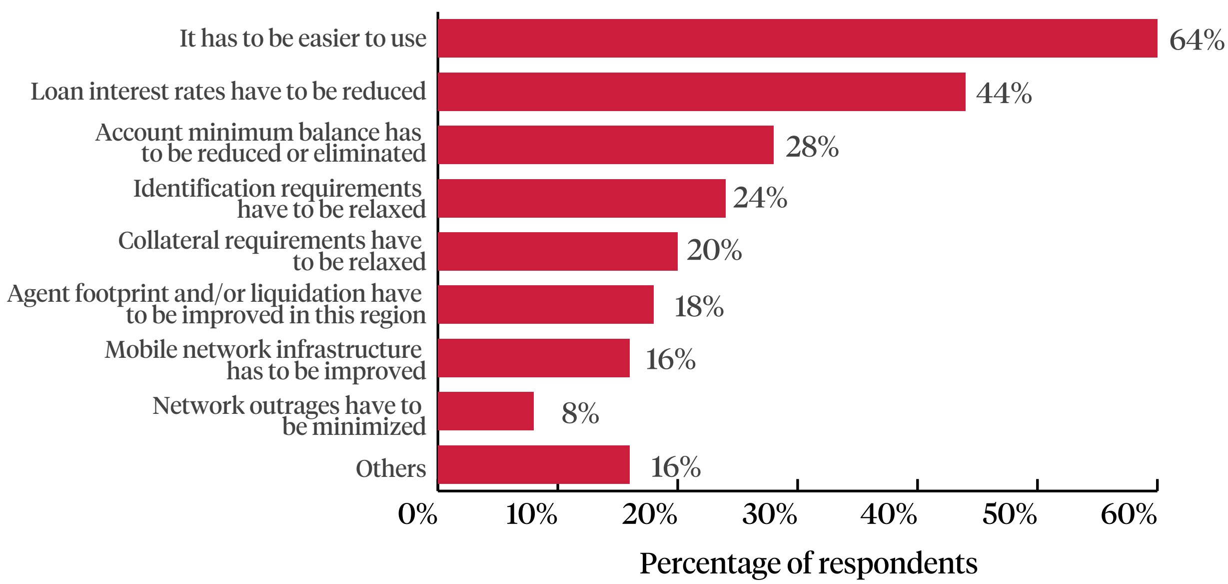

Figure 7: Source: ReFine Baseline data 2022

[26] https://www.unhcr.org/news/ugandas-refugee-response-confronted-dire-funding-gap
[27] https://www.thenewhumanitarian.org/news/2022/12/08/Uganda-South-Sudan-refugee-response
[28] Uganda refugee operation impact of underfunding in 2023 (September - December). Accessed from <https://reliefweb.int/report/uganda/uganda-refugee-operation-impact-underfunding-2023-september-december>

Refugees typically rely on informal credit from friends, family, VSLAs, and even unlicensed money lenders, mainly because of the perception that formal financial solutions are not tailored to their needs. Those who approach formal FSPs for credit often access finance at higher interest rates than the host population (3% - 5% per month compared to 2% to 3% for secured loans to hosts[29]) or settle for lower amounts. This often comes at high social or financial costs and is usually insufficient for their business needs. Summary data collected in October 2023 by the ReFine program, a three-year, French Development Agency (AFD) funded, refugee finance program implemented by Mercy Corps in Uganda[30], shows how credit and savings from formal financial services providers are in demand by both urban and settlement-based refugees.

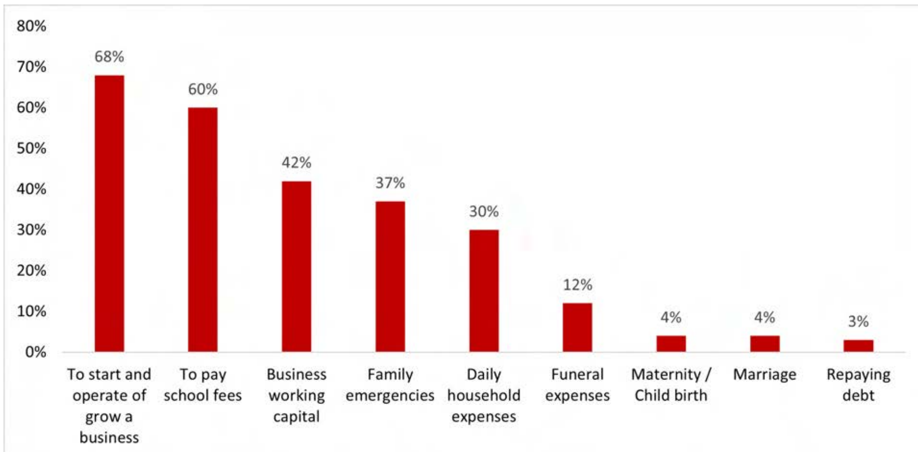

Figure 8: Showing use of credit from FSPs (Kampala, BidiBidi & Rhino)

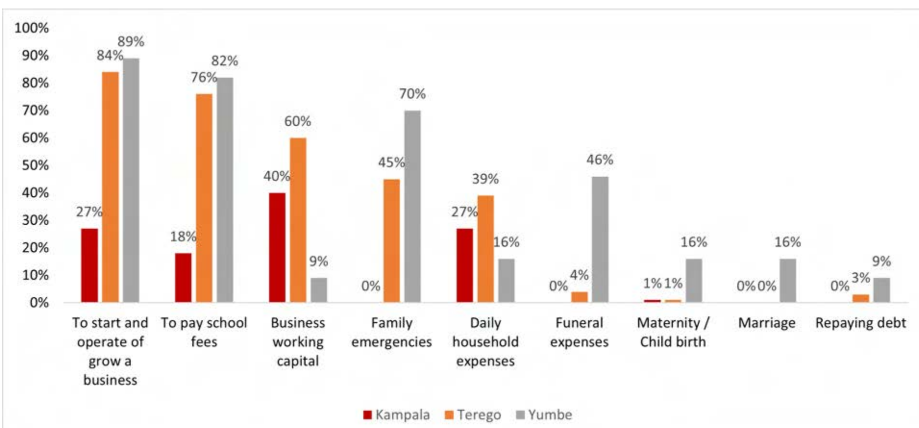

Figure 9: Showing use of credit from FSPs by location
N=260. Source: ReFine cross-sectional survey - October 2023

[29] Refugee financing to enable sustainable livelihoods for refugees and host communities: UNCDF Presentation (May 2023)
[30] Under a French Development Agency (AFD) -funded grant, Mercy Corps is implementing a three-year refugee financial inclusion program called ReFine aimed at building the self-reliance of at least 2,000 refugees in Uganda

Overall, refugees demand credit for starting/growing businesses (68%), paying school fees (68%) and providing working capital (42%). Significant differences are identified between urban and settlement-based refugees. Urban refugees in Kampala mainly demand credit for working capital purposes (40%) while settlement-based refugees mainly demand credit to start, operate or grow a business (at 84% and 89% for Rhino camp and Bidi Bidi settlements respectively). The higher need for working capital over start-up capital among urban refugees reveals that more refugees in urban centers are already engaged in micro businesses and thus require re-financing, compared to settlement-based refugees who are supported by INGOs with grants for livelihood projects. However, with the continuous reduction in cash and food assistance, refugees in settlements are now seeking financial solutions to start and run micro enterprises.

▲ **Above:** A typical refugee homestead in Yumbe district in Uganda

Supply side profile

The financial services sector in Uganda comprises a range of options including banking, insurance, investment services and others. The sector is organized in tiers (Tier I – IV) offering a variety of services including checking and savings accounts, loans, foreign exchange, remittances, and others. Financial inclusion in recent years has been deepened by the growth of digital financial services, giving rise to alternative delivery channels such as mobile money, SMS banking, internet banking, agency banking, mobile banking among others. Microfinance institutions, SACCOs, mobile money providers and other non-banking financial institutions have been viewed as a solution to financial inclusion by providing services to the underbanked population of Uganda.

The refugee finance ecosystem in Uganda relies on non-bank financial mechanisms such as VSLAs, rotating savings and credit associations (ROSCAs), and mobile money owing to several demand and supply side factors. However, with improved banking policies, human centered design principles employed in the design of financial products, and awareness of the bankability of refugees, progress is being made to enhance refugee access to formal credit for refugees as a step towards fostering their resilience and improving livelihoods.

Tier	Financial Institution Categories	Number
Tier I	Commercial banks	24[31]
Tier II	Credit Institutions	4[32]
Tier III	Microfinance Deposit taking institutions (MDIs)	4[6]
Tier IV	MFIs, SACCOs, VSLAs, ASCAS, ROSCAs, money lenders	904[33]

Table 2: Tiered formal financial institutions in Uganda

Other financial services providers include; insurance companies, development banks, stock brokers and foreign exchange bureaus. Additionally, some fintechs also offer financial services in Uganda's refugee response and typically focus on either digitizing informal groups' records or provision of financial services to individuals or to organized groups. According to a mapping of providers conducted by U-Learn in 2022, there are at least 12 fintechs who are active in this space, including Akello banker, Dreamsave, Akaboxi, Ensibuuko, True African and the major mobile network operators (MNOs) in the country, MTN and Airtel[34].

[31] Bank of Uganda 2023
[32] Deposit Protection Fund 2023
[33] Uganda Microfinance Regulatory Authority (UMRA) (March 2022) – Note that these were the licensed MFIs, SACCOs and Money lenders as at March 2022, there are numerous operational Tier IV institutions not yet registered by UMRA.
[34] https://ulearn-uganda.org/digital-savings-groups-in-uganda-learning-brief/

Despite global efforts to support refugees to access formal financial services, there is still a limited number of regulated FSPs who go beyond savings and payments to extend credit to refugees in Uganda.

Refugees are still widely regarded as un-bankable by providers, who cite their high flight risk, lack of collateral, identification challenges, and inadequate financial literacy levels as an indication of the weak business case. Additionally, refugees are still erroneously identified as a homogenous group by the FSPs and are largely approached with a one-size-fits-all mentality. This usually de-emphasizes the need to properly segment refugees by geography, gender, occupation, business size, behavioral characteristics, and financing needs and relieves the FSPs of the need to make the necessary adjustment to policies, products, criteria and terms required in order to effectively serve refugees.

Recent humanitarian and development sector-led efforts in Uganda have demonstrated the commercial viability of the refugee segment to the various private sector actors, including FSPs, telecom providers and technology companies, identity management companies and off-grid energy providers. The market-led interventions launched by entities such as IFC, FSD Uganda/ FSD Africa and GIZ have helped validate the hypothesis that the refugee market in Uganda is a bankable segment if the right mix of development capital, private sector initiative and partnerships can be harnessed. Additionally, rich quantitative and qualitative data on refugee financial lives from these interventions have been made publicly available to support in planning and delivering aid, create insights about the demand for products and services, and identifying new markets that FSPs can innovate for. The result is that the landscape of supply side actors in Uganda’s refugee response has improved significantly over the past five years, and has seen a mix of FSPs, mobile network operators, fintechs, off-grid energy providers and social enterprises enter the market with varied offerings to meet the outsized demand.

Left: Rural Finance Initiative, a cross-border MFI based in Koboko, Uganda that provides diverse financial offerings to refugees and host community members.

The table below summarizes the major formal and informal FSPs in the refugee hosting districts in the country.

FSPs	Brief overview	Refugee presence
UGAFODE	A pioneer of refugee lending with a strong presence in Nakivale settlement in South Western Uganda. Opened a branch in Nakivale settlement in 2020 and has a large portfolio. Pioneered policy change by Bank of Uganda to issue a no objection for inclusion of refugee ID in the Credit Reference Bureau (CRB) Currently extending its SMART woman product to Kampala to serve urban refugees.	Kampala, South-West (Nakivale)
Vision Fund Uganda	Specializes in serving West Nile settlement-based refugees in Terego, Palorinya, Imvepi, Bidi Bidi and also in Adjumani and Arua. Has a focus on leveraging the group methodology to extend its savings linkage product which is collateral free. Highly leveraged on livelihood groups already mobilized by INGOs especially World Vision.	West Nile (Arua, Adjumani, Yumbe, Moyo, Lamwo)
Brac Uganda	Provides entire product offering in totality to refugees with no special segmentation of refugees. Leverages on partner INGO Brac experience and outreach to extend financial services to program participants.	Bidi Bidi, Rhino
Opportunity Bank	Has extended financial and digital literacy to refugees. To date over 900 have been trained and 90% reported to be saving actively.[1] Has opened a branch in Nakivale settlement to primarily serve refugees and their host communities. Currently has expanded operations to Kampala to serve Urban based refugees.	Kampala, Southwest (Nakivale)
FINCA Uganda	New entrant in the refugee lending space and devoted to serve refugees in West Nile, Mid-west (Kiryandongo) and Kampala. Highest portfolio being in Kiryandongo. Avails entire product package to refugees	Kiryadongo, Moyo, Arua, Koboko, Kampala, Bidi Bidi, Rhino

FSPs	Brief overview	Refugee presence
Equity Bank	One of the largest banks in East and Central Africa with an asset base of over $10 bn leveraging on its Agent network to foster cross border remittance services for refugees and humanitarian cash aid transfers. Deepening its operations in South West settlements and West Nile through digital innovations.	Nakivale, BidiBidi, Rhino
Rural Finance Initiative (RUFI)	A cross border MFI incorporated in both South Sudan and Uganda providing refugees with a combination of savings and credit products. Majorly providing loans and collateral-based youth loans for commercial entrepreneurs and service industry.	Koboko, Rhino, Arua
Centenary Bank	Through the financial technical assistance programme in East Africa supported by the European Investment Bank, Centenary Bank has been supported to improve financial inclusion among refugees through financial literacy trainings. The bank is taking deliberate steps to provide customized banking solutions to refugees. Over 1,500 refugees trained, about 100 businesses created, 15 agents recruited in various settlements to increase access to savings.[35]	Nakivale, Arua, BidiBidi, Koboko, Kampala
SACCOS	A crucial source of financial services especially to urban refugees in Kampala. Usually promoted by refugee-led organisations to promote financial literacy principles especially savings as well as congregate refugees to access other services.	Kampala, Rhino
VSLAs	Popular informal financial structures in rural areas that focus on mobilizing micro savings among groups of 25-30 individuals to facilitate in-group lending. They are usually formed and monitored by NGOs. Highest access by refugees especially low-income earners and micro business owners.	Available in nearly all refugee settlements and in Kampala.

[35] The refugee financing Initiative - UNHCR, eib.org, globalimpactforrefugees.com - 2019

Table 3: Landscape of refugee-serving financial institutions in Uganda

In September 2023, a brief cross-sectional survey of settlement and urban-based refugees participating in the ReFine program was carried out, in order to gauge early-stage impact on refugees' financial behaviors. The graphs below provide a summary of the providers accessed by refugees in three areas.

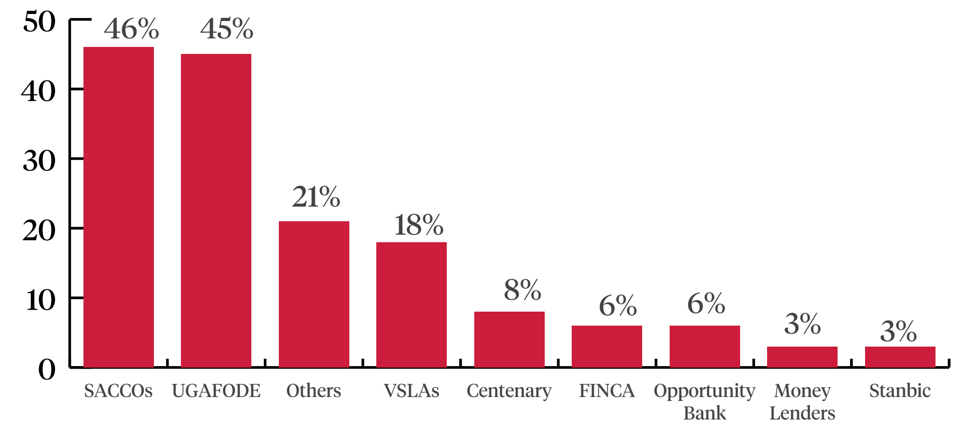

Figure 10: Showing financial services providers accessed in Kampala and environs

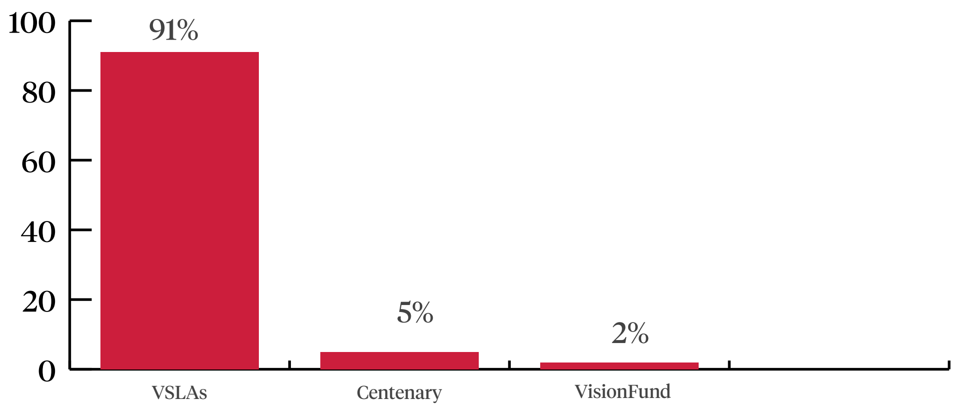

Figure 11: Showing financial services providers accessed in Bidi Bidi Settlement (Yumbe district)

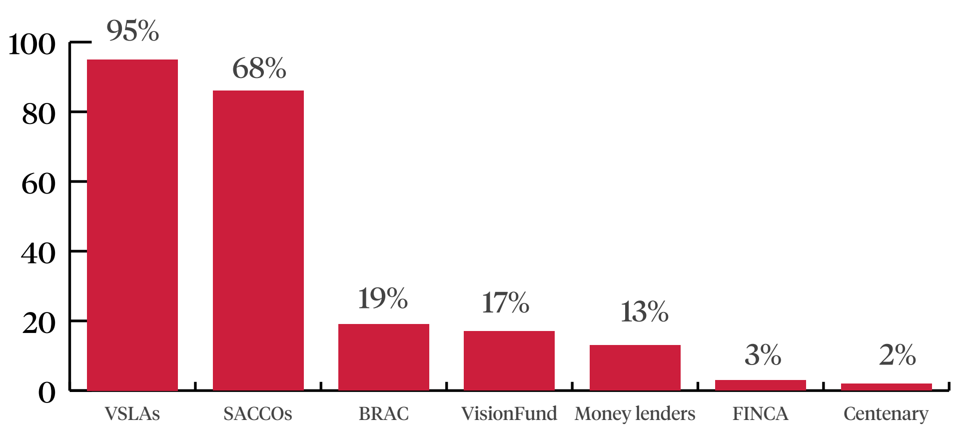

Figure 12: Showing financial services providers accessed in Rhino Camp (Terego district)

N= 260 source: REFINE Cross-sectional survey – October 2023

Research demonstrated that formal financial service providers are more prevalent among urban refugees in Kampala with UGAFODE being used the most at 45% followed by Centenary bank (8%), FINCA(6%), Opportunity Bank (6%) and Stanbic (3%). Rhino Camp has limited presence of formal financial service providers, mainly including Brac, Vision Fund, FINCA and Centenary Bank. Bidi Bidi has the least access with Centenary bank, UGAFODE, and Vision Fund identified as financial institutions where participants had accessed products. It also comes as no surprise that VSLAs dominate the landscape; what is important to note however, is that the number of fintechs focusing on digitizing and linking VSLAs to formal FSPs is steadily on the rise, which is good for the rural refugee client market and makes the transition to formal finance less onerous.

Staff of Vision Fund Uganda pose with consultants after an intesive 2-day Training of trainers workshop in Yumbe meant to build their capacity in delivering targeted and inclusive financial offerings to refugees

3: Key Drivers and Levers of Refugee Finance growth in Uganda

KEY TAKEAWAY:

External forces within the ecosystem (drivers) such as favourable government policies and laws toward refugees, availability of detailed data on refugee financial lives and even the recent pandemic have been foundational to growth of Uganda's refugee finance sector. Additionally, the proactiveness of market actors in leveraging digital technology, trying new product approaches like bundling, and seeking blended capital options to de-risk their entry into the refugee finance space have contributed to the dynamism and positive outlook of the growing market.

Uganda's refugee response has been characterized by active humanitarian responders and aid agencies for over a decade, following the enactment of the Refugee Act in 2006 and favourable policies for refugees. The country hosts multiple aid agencies and non-governmental organizations (NGOs), which provide various forms of assistance and support to refugees in the areas of food assistance, healthcare, education, shelter, and livelihood support. This humanitarian landscape has also seen a gradual crowding-in of private sector actors, in part due to UNHCR championing a shift to cash assistance for refugees and other vulnerable populations since 2011[36]. During the Solidarity Summit held in Uganda in 2017, the U.N. Secretary-General Antonio Guterres called for cash-based transfers to be the default method of support for affected populations, leveraging market systems where possible. This paved the way for market actors like financial institutions, digital technology providers and others to develop an interest in serving the space beyond merely meeting corporate social responsibility targets.

A series of events have given birth to the development of the refugee finance sector in Uganda. Beginning with Post Bank's "bank on wheels" phenomenon in 2011[36], which provided mobile banking vehicles six days a week to refugee settlements and rural destinations, the sector was further developed by UGAFODE's launch of a financial inclusion refugee pilot program serving urban refugees in areas around Kampala in 2019. UGAFODE later received a grant from Grameen Credit Agricole (through Swedish International Development Corporation Agency – SIDA) to become the first financial institution in the country to open a branch to serve refugees inside Nakivale refugee settlement in 2019.

[36] UNHCR's policy on cash-based interventions, launched in 2011, further emphasized the use of cash assistance in refugee response programs

[37] https://www.euromoney.com/article/b1fd3r0d925cwx/banking-refugees-in-uganda

Thereafter, multiple initiatives from actors such as FSD Uganda, Mercy Corps, IFC and GIZ have sought to demonstrate the economic viability of the refugee market to financial institutions and advocated for increased partnership. Today, Uganda's dynamic and growing refugee finance landscape is the result of a combination of **drivers** and **levers** within the ecosystem. This report considers drivers to be the external forces to supply side factors that influence the growth or decline of financial services to refugees and ultimately the growth of the industry; levers on the other hand are the endogenous factors that are within the control of supply side actors in the space that influence shifts in the market.

▲ Above: **French delegation comprising French Ambassador to Uganda H.E. Xavier Sticker, AFD Country Director Marc Trouyet accompanied by Mercy Corps Country Director Edward Simiyu and UGAFODE CEO Shafi Nambobi meet with a refugee micro entrepreneur in her shop in Makindye, Kampala to discuss the challenges refugees face in accessing and using formal finance productively. Date: November 2023**

Drivers influencing growth of refugee finance:

Government Policies and Regulations:

- Government policies and regulatory frameworks that support refugee rights and welfare
- Legal and policy frameworks that support an inclusive financial sector.

In terms of the former, two key Acts have been instrumental: The 2006 Refugee Act and the 2010 Refugee Regulations, which grant refugees the right to work, freedom of movement, and the pursuit of a non-encampment approach to refugee management. Additionally, the Government of Uganda's decision to include refugee management and protection within its own domestic planning framework in 2015 annexing the Settlement Transformative Agenda (STA) into the National Development Plan (NDP II 2015/16 -2019/20)[38] further reaÿrmed Uganda's commitment to refugee protection and solutions paved the road for comprehensive responses to address the needs of both refugees and Ugandan nationals living in host communities.

Additionally, a number of legal and policy frameworks that promote inclusive finance have contributed to efforts to break down barriers confronting vulnerable populations such as refugees. The recent launch of the National Financial Inclusion Strategy (2023-2028) underscored the government's commitment to improving access to financial services for all Ugandans, including refugees[38]. The strategy sets ambitious targets and outlines specific action plans to promote financial inclusion. Other acts such as Financial Institutions Act (FIA) and Tier IV Microfinance Institutions Regulations (2019), set out important provisions to promote financial inclusion by encouraging the establishment of community-based financial institutions, like SACCOs (Savings and Credit Cooperative Organizations) and supporting the expansion of financial services to underserved populations.

To support the responsible and cost-effective provision of financial services by supply side actors, the government has developed and issued multiple guidelines, policies and frameworks such as the Financial Inclusion and Consumer Protection Framework (2017), the Agent Banking Regulations (2017) and the Digital Financial Services (DFS) Policy (2018). Collectively, these laws and policies have helped to shape the inclusive finance landscape and lowered supply side barriers such as geographical inaccessibility and infrastructure costs to serve populations such as refugees. Additional policy directives issued by government agencies have made development initiatives more efficient and created a best practice policy framework that supports the digital and financial inclusion of refugees.

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[38]https://www.bou.or.ug/bouwebsite/bouwebsitecontent/FinancialInclusion/2023/Signed_2023_2028_National-Financial-Inclusion-Strategy_.pdf

Noteworthy among these is the directive issued by the Uganda Communications Commission (UCC) in 2019 to the mobile industry. Under the new order, over 600,000 refugees who did not have government-issued refugee ID but had attestation letters issued by the OPM, were able to legally access mobile-enabled services in their own names and register for digital financial services, which immediately integrated thousands of refugees into the formal financial sector[39].

Improved availability of data on refugee financial lives:

The growth of the sector has in many ways been shaped by the increased qualitative and quantitative studies about the financial lives of refugees and host communities outside of humanitarian aid. Despite the publicly available information on refugees' socio-economic profiles[40], there has historically been limited quantitative and qualitative data available on refugees' incomes, expenditure, usage of financial instruments, familiarity with digital financial services, and the nature of financial behaviour before displacement. Detailed information like this is crucial for any formal FSP to evaluate its product relevance to the customer base, establish the rationale or business case for serving the segment and make their entry plans into this market more strategic.

However, this trend has improved over the past five years following a series of market-led interventions, academic research and scoping studies spearheaded by local and global collaborations between humanitarian and development actors including FSD Uganda[41] , Tufts University[42] , IFC, GIZ and Uganda Learning, Evidence, Accountability and Research Network (ULearn) in Uganda. Collectively, these assessments together with the provision of catalytic grants have been instrumental in enabling supply side actors such as Equity Bank, Rural Finance Initiative, VisionFund Uganda to enter the refugee finance market with innovative offerings.

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[38] Uganda National Action Plan to implement the Global Compact on Refugees and its Comprehensive Refugee Response Framework (CRRF): 2019 <Accessed on 11/11/2023 from https://globalcompactrefugees.org/sites/default/files/2019-12/Uganda National Action Plan for GCR implementation (2019 revision).pdf>

[39] Proportionate regulation in Uganda: A gateway for refugees accessing mobile services in their own name. Accessed from <https://www.gsma.com/mobilefordevelopment/resources/proportionate-regulation-in-uganda-a-gateway-for-refugees-accessing-mobile-services-in-their-own-name/>

[40] The Refugee and Host Community Household Survey 2018 commissioned by the World Bank, is an excellent demand-side resource that showcases and analyzes refugees' demographics, wellbeing, access to services and their economic and social integration

[41] Rebuilding livelihoods and displacement - Endline March 2022 - BFA Global, FSDU, FSDA, UKAID

[42] Financial Biographies of Refugees in Uganda by Kim Wilson from the Fletcher School at Tufts University

Box 2: Key policy events contributing to growth in Uganda's refugee finance space

Regulation & Policy:

In November 2017, financial institutions received a no-objection from Bank of Uganda to include the Refugee ID among the acceptable KYC documentation for bank account opening. Prior to this, the inclusion of the Refugee ID card as admissible ID had not been explicitly clarified by the Central Bank. With this new policy directive, FSPs can confidently conduct the relevant customer due diligence on refugees at the point of account opening using their refugee ID.

Proof of identity is often required for individuals to activate mobile-enabled services in their own name and access financial services, but many refugees do not have recognised identity documents and therefore struggle to meet Know Your Customer requirements that mobile network operators (MNOs) are required to meet. In August 2019, following a joint GSMA-UNHCR stakeholder workshop, the Uganda Communications Commission (UCC) issued a policy directive to the mobile industry permitting refugees to use either a valid Refugee ID card or an OPM-issued attestation letter as admissible KYC documentation for SIM card registration. Before the directive was issued, about 347,000 of the 1.38 million refugees in Uganda had access to SIM cards. This single policy change unlocked digital and financial services access to at least 600,000 refugees overnight and paved the way for them to benefit from mobile financial services.

Advocacy efforts from the Uganda Cash Working Group have resulted in the relaxation of the stringent Know Your Customer (KYC) requirements for mobile money access by refugees as stipulated in the National Payments Systems Regulation 2021. Following this concerted effort, FSPs now accept refugee attestation letters for account opening in addition to the earlier stipulated refugee ID as per the regulation. Furthermore, working with refugee advocacy groups, the Cash Working Group has also successfully advocated for the refugee ID to be accepted as KYC to register as a mobile money agent[43].

Digital Refugee IDs:

OPM is currently implementing digital refugee IDs, which provides more information about its holder. Prior to this, refugee-serving FSPs accepted either the OPM-issued attestation card or a bar-coded Refugee ID that could not be verified electronically as admissible identification. FSPs had to undergo an extra administrative process of compiling all refugee applicant names and IDs and sending them in batches via electronic means to the OPM desk for verification. This process could take between 2 – 3 extra days and slowed down the account opening or loan appraisal process. With this new policy in place, FSPs can verify a refugee's ID directly from the document during account opening or loan appraisal and can issue accounts in near real time, facilitating improved account opening and loan appraisal of refugee borrowers.

[43] https://www.uncdf.org/article/8408/reducing-the-cost-of-cash-how-to-scale-dfs-in-humanitarian-cash-payments-in-uganda

[44] http://npa.ug/wp-content/uploads/NDPII-Final.pdf

Growing humanitarian-development nexus in Uganda:

Traditionally, the two areas of humanitarian aid and international development have operated separately, with the former working on short-term life-saving assistance and the latter focused on longer-term objectives including the Sustainable Development Goals. However, the Government of Uganda has recognized that humanitarian and development assistance are intertwined, and this is reflected in the Ugandan National Development Plan[44] under the Settlement Transformative Agenda and the five-year Refugee and Host Population Empowerment (ReHoPE: 2016 - 2020) strategy, which develops programmes for the benefit of both refugees and refugee-hosting areas.

Within the development sector, international organizations like UNHCR, the World Bank, and NGOs have played a pivotal role in advocating for refugee finance and economic empowerment initiatives for refugees in Uganda. They provide funding, technical assistance, and expertise through targeted interventions, upon which other development and private sector actors layer their initiatives. Programs such as PROSPECTS partnership in Uganda, IRC and IKEA Foundation's Refugee in East Africa: Boosting Urban Innovations for Livelihoods Development (ReBUILD), and JobTech Alliance's JobTech for Refugees have helped to promote sustainable livelihoods for refugees, such as agriculture, trade, and small-scale manufacturing, unlock digitally driven job opportunities, and enhance the income-generating capabilities of refugees over the past few years. This has created avenues for increased demand for financial services, which refugee finance programs and the private sector can directly address.

Below: A community center at the base camp in Bidi Bidi refugee settlement, Yumbe, Uganda

COVID-19 Pandemic:

COVID-19 led to global economic disruptions, which has generally led to dampened demand for goods and services and by extension increased the need for financing for both households and corporations. However, it has also engendered cuts to global development budgets that have forced governments and international aid agencies to prioritize discussions and interventions on self-reliance and long-term economic empowerment[45]. This has promoted conversations and collaborations between humanitarian actors and development agencies around the importance of integrating market-led interventions in protracted displacement situations and increasing the share of sustainable long-term financing to refugee-hosting areas.

Box 3: Key partnerships shaping Uganda's humanitarian-development nexus:

The humanitarian-development nexus describes the concept of increased collaboration between organizations working in short term humanitarian aid and long-term international development, with the goal of creating synergies and enhancing the effectiveness of interventions. A number of these partnerships, working to develop both the demand and supply sides of the market to help refugees achieve self-reliance, are noteworthy:

Mercy Corps' **ReFine** program (Refugee Finance to Grow Income, Assets and Resilience through Bundled Services in Uganda) is a three-year French Development Agency (AFD)-funded initiative that aims to enable 2,000 refugees to access and benefit from an innovative bundle of financial services and non-financial services to improve their incomes, increase their assets, and improve their self-reliance. By improving refugee digital and financial literacy, building the technical capacity of FSPs through a Technical Assistance facility to help them develop a deep appreciation of refugee needs and by channeling low-cost, risk-tolerant capital from Kiva[46] through 3 financial institutions to refugee businesses and farms, the project works on both demand and supply sides of the market and engages both urban (Kampala, Wakiso) and settlement-based refugees (in West Nile) along with five Refugee Led Organizations.

A notable partnership is that of **PROSPECTS** (Partnership for improving prospects for forcibly displaced persons and host communities), a unique EUR 500M+ four-year partnership (2019–2023), spearheaded by the Government of the Netherlands that brings together the IFC, the International Labour Organization (ILO), the UNHCR, the UN Children's Fund (UNICEF) and the World Bank. The Partnership focuses on 4 pillars, namely education and training, decent work, protection and new ways of working. PROSPECTS has been implemented in the three refugee settlements of Nakivale, Rhino Camp, and Imvepi and has impacted over 4,000 refugee and host community members in a wide range of areas necessary for economic self-reliance.

Through an innovative four-year refugee economic self-reliance program called **DREAMS** (Delivering Resilient Enterprises and Market Systems), Mercy Corps and Village Enterprise joined forces to transform the lives of refugees and host communities in the Bidibidi and Rhino Camp settlements in Uganda by contributing to improving their self-reliance. The model merges Village Enterprise's poverty graduation program with Mercy Corps' expertise in market systems development to equip people with the skills, resources, and markets to start sustainable businesses and promote economic self-reliance. Program participants engage through training, mentoring, seed capital grants, and savings groups that enable them to set up durable businesses and are afterwards connected to entrepreneurs, financial services, land and local markets and services necessary for thriving business.

Levers:

Technology and Digital Solutions:

Increased access to digital technology, particularly smart phones and digital financial services, has been instrumental in helping financial institutions reduce the cost to serve remote populations such as refugees and host communities. Mobile money[47], for example, has been a significant driver of financial inclusion for refugees and has made digital technology a key channel for inclusive finance offerings. Whether a financial institution decides to leverage an agent banking infrastructure, employ a traditional branch model, or use a savings group lending methodology, it is likely that some form of digital technology or digital financial service will be needed to overcome the barriers of long distances, mitigate the risk of service failure, or streamline the payment process to improve the customer experience. FSPs desirous of serving refugees now have at their disposal a plethora of digital technologies. These include unstructured supplementary services data or USSD, digital field automation or DFA, biometric verification systems, interactive voice response or IVR from service providers within Uganda's fintech ecosystem. Digital providers such as Ensibuuko, Akaboxi, Dreamsave, Akello banker, Future Link Technologies, and True African offer standardized and bespoke digital solutions to complement the traditional card and mobile money offerings from FSPs and mobile network operators (MNOs).

Despite this growth of digital in the refugee space, the pattern of activity among active users of mobile financial services is often limited to basic use cases with correspondingly limited development impact on users. There is a growing need to explore alternative pathways which can lead to deeper, more extensive and frequent usage of relevant financial services and which in turn can lead to the achievement of developmental goals.

Innovative Financial Products and Approaches:

Uganda's refugee finance growth has also built on non-traditional financing approaches that are tailored to the specific needs and circumstances of refugees. These include savings accounts, remittances services, microloans, and insurance products that cater to irregular income streams and displacement-related risks of refugees. These include:

- In 2019, VisionFund Uganda successfully experimented with the group lending methodology with savings groups in West Nile. Group lending was achieved by lending to individuals but with a group guarantee and leveraging past savings

[45] In total, only $350 million of the $2 billion requested funds from the 2017 UNHCR Solidarity Summit held in Uganda were pledged.
https://www.nrc.no/globalassets/pdf/briefing-notes/failing-the-uganda-model/failing-the-uganda-model_nrc-policy-brief_june-2023.pdf>
[46] Kiva is the world's first crowdlending platform that make it easy for anyone in the world to lend as little as $25 to any vulnerable person around the world through their digital platform Kiva.org
[47] The level of financial inclusion grew from 54% in 2013 to 78% in 2018 as documented in the 2018 finscope topline findings and this was largely attributed to increased registration and use of mobile money accounts for transactions.

records and share-out data (seen to be a good trailing indicator of overall financial discipline) to estimate loan amounts. Disbursements and repayments were made using mobile money and digital enrolment was implemented to considerably reduce staff costs[48].

- Rural Finance Initiative (RUFI), a South Sudanese MFI with branch operations in West Nile Uganda, leveraged their presence in both countries to cross border credit appraisals of refugees. The strategy was to target loan-seeking South Sudanese clients who fled to Uganda, verify and accept their collateral (e.g. land) at home for loans provided in Uganda, and to provide a transfer (remittance) service which was in high demand. RUFI also re-hired former staff among the refugees and invested in training to familiarize them with the very different business environment [49].

- Equity Bank Uganda leveraged its agent banking infrastructure together with biometric verification and card technology to serve refugees in Nakivale. Through facilitating humanitarian cash transfers from WFP and piloting merchant payments in the settlement, Equity Bank gathered experience and data points on refugee spending habits and launched their own credit offering to groups after two years.

Other institutions such as UGAFODE and Opportunity Bank have made successful entries into the refugee space by adopting other strategic approaches such as recruiting and training staff from the local community, including refugees, who understand the language and cultural nuances of refugee clients. Examples of such innovations are presented in Chapter 4.

▲ **Above:** FINCA Uganda staff and management undergo capacity building training on improving their delivery of financial services to refugees and hosts in Uganda.

[48] Rebuilding livelihoods and displacement - Endline March 2022 - BFA Global, FSDU, FSDA, UKAID
[49] ILO Making Microfinance work for Refugees (MMW-R) Training materials Mini-case 3: Rural Finance Initiative (RUFI), South Sudan and Uganda

Blended financing & capital:

When lending to a segment perceived as high risk, many FSPs have looked to the development sector to de-risk their loan capital with a mix of blended finance offerings. These offerings include credit guarantees, interest rate subsidies, matching grants to refugees, and technical assistance, which have increased in both volume and complexity over the years to meet the evolving needs of refugee lending and the debt capacity of FSPs.

Box 4: Equity Bank on financial product innovation.

Equity Bank, a large commercial bank in Uganda, successfully entered the Ugandan refugee finance space in 2019 by facilitating humanitarian cash transfers to refugees from the World Food Program (WFP) in the settlements of Nakivale, Oruchinga and Kyaka. Their approach was novel and combined digital technology, agency banking, and ecosystem development to introduce refugees to the world of formal banking and subsequently to lending in 2021.

For a commercial bank intent on serving refugees, adjustments to their KYC requirements and account opening processes are inevitable. In the case of Equity Bank, they tweaked theirs to allow for remote/field-based execution (which saved them on time and cost in account opening) and then issued bank cards and mobile banking tied to savings accounts accessible at all the bank's physical touchpoints in the country. Their network of approved agents had to be enabled with in-branch biometric verification systems to aid low-literate customer cash-outs and eliminate fraud. To save on branch expenses, the bank deployed a full-agency model that recruited over 200 agents to facilitate cash payments from a humanitarian agency for over 53,000 households in Nakivale settlement. Equity also provided working capital loans for agent bankers to sufficiently conduct the transactions within their areas and more generally access stock and sell more merchandise. A digital merchant payments aspect was also intentionally embedded in this approach to gradually introduce a cash-lite model into the mix and ease pressure off the cash-in cash-out infrastructure. The agent approach contributed to direct and indirect jobs (over 320 jobs over the 2 years funded pilot) within the settlement and stimulated financial activity among the population, thereby increasing its commercial value.

Today, Equity bank does more than just payments facilitation in the refugee space and now offers group loans tailored to the specific needs of different market segments e,g, agricultural loans, loans for petty trading. Proof that the agency model reaped results in the two-year pilot is evident in the bank's subsequent expansion to the West Nile region, where they established a similar structure to serve the regions of Imvepi and Palorinya with similar offerings and a partnership with UNHCR. By leveraging their learnings from their agency deployment, digital technology innovation and ecosystem building, they were able to transition to lending, which delivers greater value than payments facilitation, and increases the likelihood of their permanence in the space.

For example, in 2019 FSD Uganda offered VisionFund Uganda a credit guarantee of USD 50,000 over two years to lend to its settlement-based refugees in West Nile, providing the FSP with the confidence to lend to an unfamiliar segment in a remote region. In 2023, UNCDF approved a portfolio guarantee facility of up to $200,000 over a period of two years to UGAFODE to support its expansion in the Nakivale settlement; up to 60% of all claims were covered by the facility. Innovative lenders such as Kiva and IFC have also helped to de-risk refugee lending in the country by sharing success stories in other markets.


EXPENSES
(SPEND, SPEND, SPEND)
INCOME
(SELL, SELL, SELL)

Bundling finance with non-financial services (NFS):

Providing refugees with training and skills development programs can enhance their ability to manage financial resources and to manage and grow their businesses, which in turn drives the demand for financial services. Pragmatic FSPs have realized the advantage of coupling their financial offerings with non-financial services (NFS) to vulnerable communities among refugees because of the mutually reinforcing benefits. Investing in NFS such as training on responsible borrowing for prospective clients for example, will pay off later for the FSP in question and reflect in their loan portfolio quality.

Successful approaches have combined NFS such as financial & digital literacy education, market information and access, vocational training and linkages to the market /value chains, which collectively reduce the risk of serving refugees. This also helps to prevent the practice of stop-and-go NFS provision and offers a longer-term graduation-like model to build trust and loyalty. Because NFS is a notoriously potent cost driver, many FSPs offer them in partnership with humanitarian or development agencies and the government to be able to successfully couple the two. Ultimately however, NFS should be bundled together with financial services and offered through partnerships with other market actors or through grassroots organizations such as RLOs.

Collectively, these strategic actions taken by the financial sector and the humanitarian community have helped drive up the demand for formal financial services for refugees. By actively employing these levers, FSPs have contributed to the growth of refugee finance, extending financial inclusion and supporting the economic well-being of refugee populations while also generating business opportunities.

▲ **Above: Staff of GRTR (a Rhino Camp-based RLO) visit a a refugee's small business**

◂ **Left: Refugees and hosts engage in role play in the recent ReFine business clinic held under the Mercy Corps Refine program.**

4: From Challenges to Opportunities

KEY TAKEAWAY:

The biggest hurdles confronting effective delivery of inclusive financial offerings to refugees in Uganda include identification issues for refugees, stiff collateral requirements, existence of a language barrier that impedes effective communication of product terms and an aid dependency syndrome among refugees. Opportunities to circumvent these lie along pathways that emphasize continuous education, non-traditional approaches to financing such as using groups and offering non-collateralized loans, effectively segmenting the market, and leveraging RLO partnerships.

The business of delivering formal financial services to refugees is inherently challenging. Due to the large number of refugees in-country, their diverse countries of origin, and the varying lengths of displacement, provision of financial services to this demographic is complex and faces many barriers. A 2021 Mercy Corps & Kiva assessment on the state of financial services for refugees in Uganda confirmed the previously mentioned challenges formal FSPs face in financial services delivery to the refugee and host community: fear of financial loss due to perceived flight risk or limited to no credit history, few fixed assets refugees possess, entrenched stereotypes about refugee profiles and backgrounds, limited know-how in designing pro-refugee products, lack of shariah-compliant products, and limited low cost, patient capital to invest in starting or growing refugee finance portfolios.

A baseline study conducted within the ReFine program in November 2022 coupled with a rapid cross-sectional survey conducted in September 2023 uncovered a number of barriers faced by refugees in accessing finance as well as related resolution strategies. The table below summarizes these demand and supply-side challenges and presents opportunities that FSPs can explore to circumvent them or directly address the drivers of the constraints, citing key success stories from Uganda or where relevant, within the region or globally.

UNHCR's policy on cash-based interventions, launched in 2011, further emphasized the use of cash assistance in refugee response programs
https://www.euromoney.com/article/b1fd3r0d925cwx/banking-refugees-in-uganda

Barriers to accessing & using formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Demand side		
Collateral requirements for refugees are comparatively higher than for hosts; refugee loan tickets are typically lower than desired. This is driven by the very low asset base of most refugees (especially women) and the poor record keeping behaviours of microentrepreneurs	FSPs (particularly MFIs that serve refugees in the settlements) can explore the group lending methodology which uses the social pressure created by mature, informal groups to enforce debt collections and mitigate the effect of no collateral. Commercial banks can develop agency relationships with refugee-serving MFIs and work collaboratively to graduate refugees from group loans to larger individual loans, thereby reducing the perceived risk of lending. Other winning strategies include lending to groups based on digital credit scores developed out of digitizing group savings records and share out data, lending to individuals using moveable collateral such as motorcycles and farm equipment; or adopting cash flow based lending for microbusiness owners who keep records. INGOs and support partners can highlight business clinics among their NFS offerings for microbusiness owners to develop the requisite business acumen (bookkeeping, business planning and credit use) to take on and manage capital responsibly.	Rural Finance Initiative (RUFI), a cross-border South-Sudanese and Ugandan MFI used digitization of refugee savings group (SG) records in partnership using Grameen Foundation's Ledger Link technology in 2019 and leveraged the data to generate credit scores against which to lend to the groups. Ensibuuko, a Ugandan fintech, through their Mobis platform have developed a non-collateralized loan facility for groups and launched in 2023. The application, approval, and disbursement processes are all done digitally, and the solution lends to individuals within a group using a group guarantee.

[53] No frills accounts are financial accounts that have no minimum balance requirements and no monthly charges; as a result they are well suited for low-income households.
[54] https://www.brookings.edu/blog/techtank/2016/04/01/bridging-the-financial-inclusion-gender-gap/
[55] https://www.almajmoua.org/OurAwards1.aspx

Barriers to accessing & using formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Demand side		
Limited physical access to formal financial service touchpoints in settlements such as branches or agents; branches are typically found in the base camp, bank agents are often illiquid and digital skills are often underdeveloped among refugees	FSPs in Uganda should leverage agency banking and technology to maximize their presence in refugee settlements. Commercial banks can develop agency relationships with refugee-serving MFIs who tend to have a stronger presence on the ground and avail the needed liquidity using these MFIs to minimize shortfalls. Using satellite offices where available is another option. Digital technology must be fully harnessed through DFS to enable digital and remote onboarding, mobile money to facilitate disbursements and collections, and GPS technology to track and monitor savings groups and agents and their locations.	RUFI is a classic example of an MFI that leveraged their agency banking relationship with Centenary Bank to accept deposits for Centenary against increased capitalization and to manage the challenge of limited outreach to refugees in the West Nile region. UGAFODE also used a similar strategy to stay in touch and serve their refugees in Nakivale refugee settlement.

Table 4: Overview of demand side challenges to accessing and using formal finance

Barriers to accessing & using formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Demand side		
High financial account transaction costs: apart from the cost of traveling to bank branches (typically located far in the base camp), the cost of withdrawing cash is high (UGX 15,000; nearly $4) for most refugees, who are very price-sensitive.	FSPs should segment the refugee market appropriately and target low-income refugees where it makes sense. Developing low-valued, no-frills accounts[53] for small-holder accounts who are organized into producer groups may make economic sense due to the numbers. For FSPs that use digital or mobile money channels, gradually building a merchant network within the local economy may make the most economic sense and preclude the need for customers to cash out.	In Nigeria, Diamond Bank and Women's World Banking co-created a no-frills savings product called BETA account that literally brought savings to the doorsteps of women in 2018[54]. Account opening was simple and could be done over the phone with no minimum balance and no fees. The product was designed to be affordable and convenient for individuals engaging in frequent but low-valued deposits which is characteristic of most low income women. The product factored in research showing that women tend to be less mobile than men and as a result have less access to mobile agents on a regular basis. BETA agents would typically visit women's business premises and homes to facilitate transactions. While not directly refugee-related, it does show how waiving minimum account balances can inspire product uptake.

[53] No frills accounts are financial accounts that have no minimum balance requirements and no monthly charges; as a result they are well suited for low-income households.
[54] https://www.brookings.edu/blog/techtank/2016/04/01/bridging-the-financial-inclusion-gender-gap/

Barriers to accessing & using formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Demand side		
Account terms and conditions regarding account opening fees, account maintenance fees, penalties, and their applicability are often misunderstood by refugees.	FSPs can be more intentional about using agents to share and explain product terms and conditions to refugees in simple terms. FSPs can employ refugees as frontline staff and their community representatives and leverage their language and cultural influence with prospective clients. FSPs intent on including women should explore using women agents and representatives as they are likely to have more influence on their kind. Terms and conditions in marketing collateral should also be translated in relevant languages and be as illustrative as possible to accommodate the needs of illiterates. They will also have to be extra transparent with tariffs and fee structures and emphasize confidentiality and data safety to build trust.	UGAFODE's Board approved a decision in 2018 to recruit refugees from the settlements in which they operated to assist in sales and marketing efforts and to help existing staff overcome language barriers in explaining terms and conditions in plain, simple language refugees could understand. UGAFODE recruited both Congolese and South Sudanese as interns and provided the requisite training. See Lessons learned subsection for more details. With the support of IFC, Al Majmoua in Lebanon (a leading refugee-lending MFI) made strides in serving refugees by revising and adopting its policies and procedures for protecting borrowers showing once again its commitment towards providing a distinguished service to borrowers and treating them with fairness and respect. [55]

[55] https://www.almajmoua.org/OurAwards1.aspx

Barriers to accessing & using formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Demand side		
Refugees are accustomed to receiving grant aid and want free goods and services. Some have unrealistic expectations of formal finances and expect interest rate subsidies or loans to be offered under guarantee; some refugees familiar with the shariah culture are accustomed to borrowing without paying interest. This mindset is likely to negatively affect loan repayments and financial discipline	FSPs and development agencies need to pay extra attention to gradual mindset change via education, mentoring, and training that promotes market-led interventions, of both formal and informal financial services. Being deliberate about coupling humanitarian aid or financial services with NFS attunes the mindset of prospective refugee clients with purely aid expectations and can make a difference between profitable clients and those who are not. Other FSPs and development agencies use matching grants for loans to incentivize refugees to try borrowing.	Lebanon-based MFI Al Majmoua complemented their financial offerings with a mix of NFS to differentiated groups — offering different technical and vocational training to one group, and training in household budgeting, financial education, and personal development to others, based on their segmentation of clients. Since then, they have a profitable lending business, providing loans to more than 8,500 Syrian refugees and over 80% of these refugees are women.
Refugees who have good experiences with formal financial services want bigger loan ticket sizes. Research from UNCDF shows that the average loan size for refugees is UGX 2.7M (approx. $837). Refugees typically receive this through groups and demand more as their working capital requirements increase. Many FSPs in Uganda are yet to internally approve policies that offer refugees larger-sized individual loans without traditional collateral	A few FSPs have been able to leverage linkage banking successfully via the group model to graduate refugees from group loans to larger sized individual loans. Linking saving groups to commercial banks and their core banking systems requires sufficient data on the group, agreement on graduation parameters between the two parties, and often technical integration. This reduces the risk for the commercial entity since there is sufficient data from group transactions and historical loan records that replaces traditional collateral.	RUFI and Centenary Bank leveraged their agency banking relationship in 2021 to migrate refugees from a Centenary group wallet to individual savings accounts who eventually took larger loans as their debt capacity increased. Both FINCA and Opportunity Bank have had some level of success here: FINCA through their Prosper graduation credit product offered through BrightLife in 2019 and then with Opportunity Bank offering increased loan sizes for refugees upon demand.

▲ **Above:** An urban refugee receives loan application guidance from UGAFODE loan officers at a business clinic

Barriers to offering formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Supply side		
Limited expertise in custom product development and implementing go-to-market strategies for refugees. Many FSPs erroneously assume the refugee market is homogenous and often do little segmentation (or simply segment by nationality) in product design. This results in marketing a branded one-size-fits-all product that is not nuanced.	Development agencies and knowledge partners should consider offering technical assistance to build FSP capacity in developing nuanced Human Centered Design (HCD compliant products, & using appropriate marketing strategies to reach the refugee segment. Successful approaches to banking refugees do not just segment by nationality but also consider nuances such as displacement phase, occupation/economic activity, gender, geography, and business size. Attention must also be paid to employing appropriate distribution channels, approaches and language used by marketing collateral when marketing to refugees segments.	Faced with the need to maintain customer retention rates and market share Microfund for Women (MFW), a Jordanian MFI, decided to launch a parallel seasonal loan product for its active borrowers. The loan was for productive purposes and was linked to clients' need to increase their inventory to meet higher seasonal demand. The new product was designed and rolled out within 30 days of the initial conception of the idea. It was extremely successful both from the clients' perspective (in terms of higher profit margins and the ability to repay loans) and from the MFI's perspective (in terms of on-time repayment, higher yield on portfolio and increased customer satisfaction). The experience was so successful that it was replicated by regional partners and copied by competitors; clients continue to look forward to it as an annual highlight of their relationship with MFW.

Table 4: Overview of supply side barriers to offering formal finance to refugees

Barriers to offering formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Supply side		
Limited capital to fund FSP refugee portfolios: FSPs desirous of serving refugees point to the insufficient low cost, patient capital available to invest in starting or growing refugee finance portfolios. This is a drawback for crowding in FSPs into the space and moving them beyond pilots to scale.	There are growing opportunities from development agencies to de-risk refugee lending using a combination of credit guarantees, concessionary resources and risk-sharing facilities to mitigate the impact of bad loans on lenders and enable them to scale existing portfolios.	IRC and IKEA Foundation's program Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development (Re:Build) is piloting a risk sharing facility that layers an incentives model on top of a first-loss guarantee to address existing bottlenecks to refugee lending. By incentivizing banks to lend more to refugees, financiers can closely assess & adapt their internal processes and approaches to meet the needs of this customer segment. Kiva's two-pronged approach (Kiva Capital and Kiva online market place) addresses this challenge by de-risking the loan portfolios of its institutional partners with 0% interest and risk-tolerant capital raised through their crowdfunded platform. Read more about Kiva's unique model in Box 5.

Barriers to offering formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Supply side		
Insufficient staff and management experience in serving refugees: Most FSPs have little experience in serving this segment and experience difficulty in debunking myths staff and management hold about serving refugees. In the absence of hard data on refugee portfolio performance, stereotypes held by citizens about refugee character and capacities inform management decisions	FSPs require technical assistance focused on increasing knowledge of FSP staff about the unique needs of refugees (including those of women), eliminating perceptual biases and stereotypes about their needs and offerings, and strengthening the capacities of staff to serve them operationally.	FINCA Uganda, eager to get their staff and management fully onboard with refugee lending and worked with Mercy Corps in 2023 to design custom support that addresses perceptual biases about refugee financial attitudes and risk profiles, knowledge gaps on appropriate segmentation, and understanding how to leverage key partnerships with grassroots refugee institutions and agricultural actors.The vision for this technical assistance was to transform FINCA's culture to be one supportive of refugees and a literate and empathetic staff that are able to understand and meet the nuanced needs of refugees

Barriers to offering formal finance	Opportunities to circumvent barriers or address the drivers of constraints	Novel examples/ success stories
Supply side		
There are gaps in effectively leveraging key partnerships such as Refugee Led Organizations, agricultural partners, as well as partners in trade and commerce to target and promote financial products and services. NGOs and FSPs often point to RLOs' lack of organizational capacity, which hinders effective partnerships.	Access to finance programs for refugees should involve grassroots organizations such as RLOs and develop capacity building programs in the areas of governance, program management, risk management, monitoring and evaluation, etc. to improve their maturity and partnership building capabilities. Funders should prioritize INGOs such as Cohere Charity and Refugee Led Organization Network (RELON) who work to directly strengthen the institutional capacities of RLOs for funding and TA Access to finance programs should explore how to effectively match FSPs to RLOs and trade groups through business clinics or coordinated workshops and acquaint the two parties with each other's constraints and inner workings.	ReFine and JobTech for Refugees, two refugee related programs launched by Mercy Corps are working with RLOs and other market actors to expand financing and employment opportunities to refugees . Both programs prioritize capacity strengthening activities to close key structural and operational gaps in the RLOs prior to linking them with market actors such as financial institutions, platform employers and agricultural value chain actors.

▲ **Above:** Cohere, one of ReFine's anchor partners, take RLOs through an organizational capacity strengthening exercise.

Box 5: Kiva's risk-tolerant model for refugee financing

Headquartered in San Francisco, California U.S.A., Kiva Microfunds is an international nonprofit started in 2005 with a mission to expand financial access to help underserved communities thrive. Its peer-to-peer lending model was among the very first globally, and is focused on channeling risk-tolerant, flexible capital to small businesses. The Kiva model leverages a technology platform to crowdfund loans and unlock capital for the underserved, improving the quality and cost of financial services, and addressing the underlying barriers to financial access around the world. The crowdfunding platform works in partnership with financial institutions and social enterprises, providing loans to enable students to pay for tuition, women to start businesses, farmers to invest in equipment and families to afford needed emergency care. In 2019, Kiva also launched Kiva Capital, Kiva's impact-first microfinance vehicle setup to provide debt financing to FSPs working in this space.

In 2016, Kiva began piloting refugee lending and collected data that illustrates that refugees can and do repay their loans. Repayment rates on the Kiva crowdfunding platform are over 96%, higher than that of non-refugee microfinance clients on Kiva. To date, Kiva has mobilized philanthropic lenders on their crowdfunding platform to provide $33M to over 36,000 refugee entrepreneurs, demonstrating the viability of lending to displaced populations. In 2021, Kiva launched the Kiva Refugee Investment Fund (or KRIF)[55], a $32.5M fund managed by Kiva Capital, building off of the work Kiva.org had demonstrated on the crowdfunding platform. KRIF brings much-needed institutional investment capital to provide additional financing to participating financial service providers (FSPs) lending to refugees, IDPs, impacted host communities, and those at risk of forced migration. Moving forward, Kiva will continue to work with its network of global Lending Partners to scale financial services for displaced populations, both through the Kiva.org crowdfunding platform and Kiva Capital.

Within the context of ReFine, Kiva hopes to leverage the wraparound technical assistance to FSPs and grassroots refugee organizations (like RLOs) to complement the financing facilities availed to FSPs to enable them to scale their refugee finance portfolios. Kiva's key role in ReFine is to provide critical capital to fund the refugee loan books of all three participating FSPs (VisionFund Uganda, FINCA Uganda, and UGAFODE) so they can develop and create new and improved products that cater to the needs of refugee entrepreneurs and special interest groups and expand their reach.

Snapshot of Kiva's results over the years

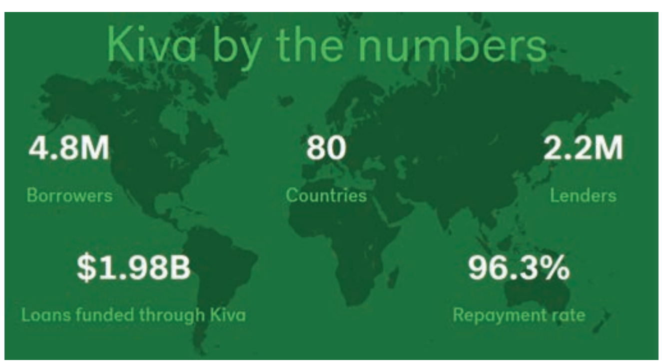

Figure 13: Kiva's results serve as a proof of concept (used with permission)

[55]https://www.prnewswire.com/news-releases/kiva-capital-management-announces-final-close-of-kiva-refugee-investment-fund-to-scale-lending-to-fragile-communities-globally-301264464.html

Overview of ReFine

Under a EUR 1.2 million grant funded by the French Development Agency (AFD), Mercy Corps Uganda is implementing a three-year refugee finance program called "Refugee Finance to Grow Income, Assets, and Resilience through Bundled Services in Uganda" (or ReFine) to address the root causes that limit the supply of, demand for, and cost-effective use of financial services for 2,000 refugees in Uganda. ReFine is a partnership between Mercy Corps, Kiva, and Cohere, an NGO offering direct support to refugee-led businesses in Uganda, to enable urban and settlement-based refugees in Kampala and West Nile to access and benefit from inclusive financial product offerings. It targets urban refugees residing in Kampala and households in peri-urban and rural areas of West Nile District and lays emphasis on refugee microentrepreneurs and women.

The primary goal of ReFine is to enable refugees to access and benefit from financial services to improve their incomes, build their asset base, and improve their self-reliance by improving their digital and financial literacy and providing low-cost, risk-tolerant capital through financial institutions to their businesses and farms. ReFine plans to do this by:

- Increasing refugee financial and digital literacy and capacity to productively use available financial services;
- Providing refugee and RLOs with the support that increases the speed and success of meeting relevant legal and regulatory requirements for using financial services;
- Supporting refugees to make a positive return on their farm and non-farm investments through training on business management and good agricultural practices;
- Expanding FSPs' financial and operational capacity to serve refugees with relevant and fit-for-purpose financial products;
- Availing Kiva-backed credit to financial institutions to on-lend and scale their existing refugee loan portfolios across the country.

The project is being implemented through three (3) FSPs - UGAFODE MDI, VisionFund Uganda and FINCA Uganda - and five (5) RLOs that are existing partners of Kiva and Cohere respectively.

Left: A female refugee listens attentively in a training session at I CAN South Sudan RLO, based in Yumbe.

Lessons learned from ReFine

18 months into the program, progress has been made on key work streams and over 2,200 refugees have received loans to the tune of $2.6M from the three FSPs with at least 1,550 reached with financial education on critical financial and business management topics. The insightful lessons learned in this intervention are summarized below:

The refugee population is not as homogenous as perceived:
Most FSPs assume the refugee market to be uniform in behaviours, tastes and preferences when developing products for the segment; they set out to customize a "*refugee product*" for a demographic - instead of taking on a segment approach which considers nuances such as behavioural characteristics, geography (rural/urban), economic activity or occupation (trade, smallholder farmer, salaried worker, etc.), business size or type (micro, small, medium enterprise, or wholesale), displacement phase and gender. This level of complexity is usually abstracted away by stereotypes about refugees, often based around nationality, and gets fed as assumptions into the product development process. This results in generic products that do not meet the needs of the target market.

Meaningful product development begins when factors such as economic profile (indicative of the type of financial product), business size (indicative of suitable loan ticket size), displacement phase (indicative of the bundle of appropriate products to offer) and legal status (indicating whether the refugee can be served at all or not) are considered. Within ReFine, a Technical Assistance facility was set up for the participating FSPs to take a fresh look at the way they view and develop for the refugee segment and explore how to modify internal policies, criteria and conditions to allow for a custom product that has a better chance of market success.

There is adequate financial literacy at household level but sound business and digital literacy skills are fairly low among refugees: ReFine's baseline study revealed that the biggest literacy and knowledge gap among refugees affecting uptake of formal financial services is not merely financial, but more business and technology related. Qualitative data from the research showed that refugees are fairly familiar and appreciate the basics of income and expenditure tracking, savings, managing a household budget and making simple digital transactions such as remittances and peer-to-peer mobile transactions. Most mentioned they are ready to take on loans and feel that NGOs keep offering training as an excuse for not offering them the capital they need.

The educated and entrepreneurial among them (higher with urban than settlement-based refugees) know about and are familiar with loan requirements - even if they typically struggle to meet them. What they admittedly lack and desire is knowledge about how to set up and manage their business finances in a way that makes them attractive to FSPs, develop and operationalize business plans, run their businesses profitably and leverage simple digital tools to help them pare down costs or transform the customer experience.

In response to this, ReFine has tailored the capacity building clinics to focus on helping refugees gain a practical knowledge and understanding of financial services and technology and develop the skills required to successfully increase business incomes, make the right capital investments and effectively function in the digital economy. Topics being emphasized in these ongoing "business clinics" include business plan development, recordkeeping for microentrepreneurs, accessing formal credit, mitigating business risks, digital marketing and transitioning from the cash box to linkage banking. The hypothesis is that providing farm and non-farm-based microentrepreneurs with a solid foundation of business and digital skills that they can apply directly in their businesses will help them understand how to leverage financial services to achieve business success more readily.

▲ **Above:** Staff of Mercy Corps' ReFine program and One Youth One Heart (an urban based RLO in Kampala) pose for pictures with staff of IRAM, ReFine's Learning Partner.

Building trust and relationships are critical to product success: FSPs have quickly realized that extra transparency with pricing, wording on term sheets and tariffs pays huge dividends in establishing trust within the refugee community. Refugees are as price sensitive as other clients and more data sensitive than most, so they are particularly concerned about being exploited with price or interest rates and worry about whether their data will be shared with governments. Additionally, research conducted in October 2023 with ReFine's participating FSPs revealed clearly that both refugees and hosts value clear disclosure of all fees associated with the products or services, want to see plain language in contracts and agreements devoid of jargon, seek regular updates on changes in terms and conditions and prefer communication in their local languages, even if they understand English. Successful FSPs have had to pay extra attention to transparency in communicating interest rates, computations, and about data usage.

In the area of relationship building, a potent barrier confronting many FSPs is language. Because Uganda hosts refugees from multiple countries, navigating the language barrier can be complex for an interested FSP because of the challenge of communicating in multiple languages or sometimes different dialects of the same language. Using English may be a compromise as many comprehend it but is insufficient for building effective long lasting relationships. One of the ReFine FSPs (UGAFODE) saw a marked improvement in their engagement with their refugee clients when their management approved the recruitment of refugees as sales and marketing interns to help field and branch teams improve communication with refugees. This deliberate action was instrumental to the success of their pilot in 2019 and was later replicated by other refugee-serving FSPs.

Grassroots refugee institutions like RLOs can be deployed as mindset change agents

Several local independent organizations in Uganda have responded to the refugee situation by offering a haven for refugees to connect with each other, advocate for refugee agency and self-representation, build capacity in survivalist skills and attitudes, and raise funding to finance livelihood activities. Among these are the RLOs who are typically the first grassroots point of contact for asylum-seekers and refugees arriving in-country. The baseline research confirmed that the RLOs are powerful change agents in the refugee communities and are effective liaisons with the humanitarian world and to some extent the private sector.

The linkage process between the FSPs and RLOs therefore proved to be a key learning moment in the project. It was discovered that changing the mindset of refugees around lending begins with the RLOs while while changing the stereotypes of FSP staff begins with the personal meeting with economically active refugees; consequently, a series of pre-engagements were organized between RLOs to brief them on the market-led approach employed under ReFine, in which refugees received products and services at commercial rates. In these meetings, the RLOs were prepared to understand and communicate the essence of the products with their participants prior to any direct engagement between FSPs and participants. The trusting relationship between refugees and RLOs was leveraged in these meetings to help tackle misunderstandings between FSPs and refugees. This also helped the RLOs to be better advocates for the products and empowered them to be effective liaisons between their beneficiaries and the FSPs, which is important for sustainability.

Asset ownership remains a barrier for women's access to financial services although some mitigating options exist

It is a well-known fact that many refugees and hosts are unequal in asset ownership; however, this is more pronounced for women. A sex-disaggregated break-down of the assets owned by refugees in the ReFine baseline study showed that the number of women without assets are more than twice as much as men in this situation; the assets owned by women are predominantly household related and nearly two-thirds of the respondents cited this.

Additionally, men perceive competition when women own resources and this further fuels the risk of Gender Based Violence (GBV). All the participating FSPs under ReFine offer asset financing products, typically using motorcycles, land, homes, farming equipment and automobiles as collateral. Unfortunately, these options are of little benefit to the typical refugee woman who either owns very little fixed assets or none at all. The baseline study revealed a 16% gender gap in favor of men in the ownership of bicycles and livestock, a 66% gap concerning owning a motorbike or a boda and no ownership of vehicles among women. This means that asset based financing is more or less gender blind and excludes refugee women.

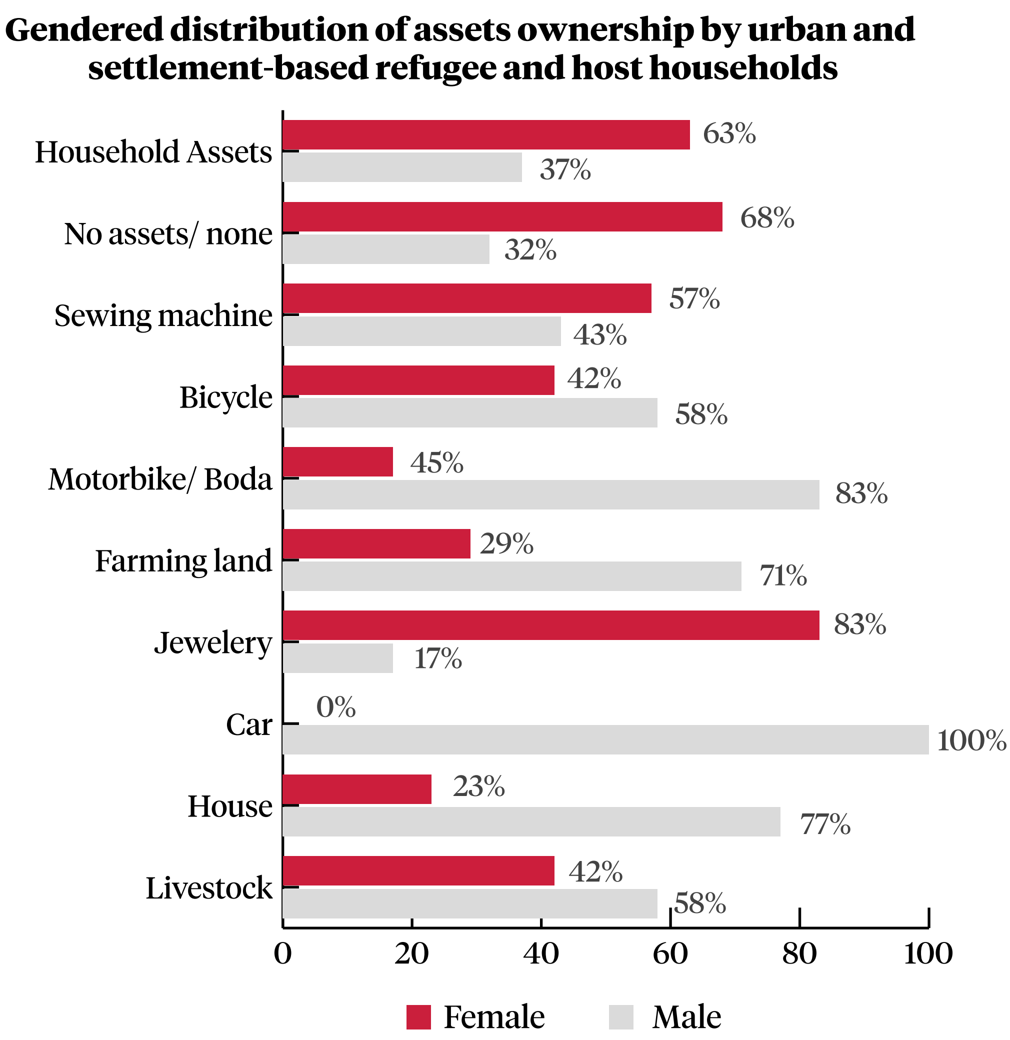

Figure 14: Assets owned by gender
Source: ReFine baseline survey (Nov 2022)

Emerging evidence[56] is revealing that cash flow lending, as opposed to collateral lending or asset financing, may be more appropriate for Sub-Saharan microbusinesses with a small asset base. Firstly, the collateral is different: while asset-based lending is backed up by assets, usually real estate, inventory, or equipment, cash flow lending is based on expected future cash flows of a business, typically small businesses that lack the hard assets required to back an asset-based loan.

ReFine is encouraging the FSPs to consider alternatives such as group based lending, cash based flow lending, and PAYGO asset financing models in lending to farm-based and non-farm based microenterprises in refugee contexts as a differentiator and a way of including more women into the ecosystem. This will undoubtedly require some adjustments to the appraisal process for the FSPs and will require prioritizing recordkeeping and basic accounting principles by small business owners, all of which is being emphasized in the ongoing business clinics with refugees. The remainder of the ReFine project will prioritize discussions with partner FSPs around identifying what is required to lend to refugee micro businesses using this approach and eliminate related barriers.

▲ **Above:** RLOs undergo a ToT exercise on micro business and credit fundamentals prior to supporting refugees with linkages to financial institutions.

Ben Amoako-Adu & Joseph Eshun, 2018. "SME Financing in Africa: Collateral Lending vs Cash Flow Lending," International Journal of Economics and Finance, Canadian Center of Science and Education, vol. 10(6), pages 151-159, June.

5: Outlook and Recommendations for the Refugee Finance Sector

KEY TAKEAWAY:

Uganda's refugee finance sector will grow substantially over the next few years when additional blended capital is unlocked for commercial actors interested in serving refugees; a laser focus is placed on developing key livelihood aspects such as agriculture, trade, climate change, and platform employment opportunities; closure of the gender gap is made a priority, and partnerships with grassroot organizations and development actors in the space are deliberately nurtured.

At a global level, the refugee finance ecosystem is increasingly addressing the varied needs of refugees through a combination of progressive legislation and policies, innovative service offerings and cross-sectoral partnerships. This is also true of Uganda's refugee response; despite increasing refugee arrivals and reduced funding, the dynamism in the sector has led to a gradual crowding-in of market actors, who recognise an economic opportunity with strong social co-benefits. This influx of partners and collaborations between humanitarian actors, development partners, government agencies and market actors is crucial for creating a market system that is well-regulated and responsive to the needs of the refugees and host community.

Market drivers such as conducive government policies and regulation, increased availability of relevant data on refugee financial behaviours, and a growing humanitarian-development nexus have created an enabling environment for private sector engagement in the refugee response. As a result, FSPs are starting to take an innovative approach to product design; there are growing inflows of flexible, de-risking capital; the sector is adopting innovative technologies to improve access, usage and delivery of financial services; and market actors are bundling traditional financial services with non-financial services. Despite these advancements and promising trends, challenges still persist and are likely to influence the trajectory of innovation and development in the refugee finance space over the next few years.

Major trends in the refugee finance space for the next five years

Despite the challenges in making predictions about a dynamic and rapidly evolving sector, there are some leading indicators and emerging trends that point to key developments in Uganda's refugee finance sector. They are outlined below, along with recommendations based on the analysis in chapter four.

1. Catalyzation of additional blended finance into the refugee finance sector

The number of refugee-serving FSPs in Uganda is increasing and more FSPs are developing the confidence to lend to this segment with their own capital. Having generally established the commercial viability of the refugee and host market under certain circumstances, programmes are shifting to offer incentives that stimulate FSP participation in this space and testing out the right mix of financing needed for scale. UNCDF are providing de-risking capital to two FSPs in a WFP-funded project in Isingiro and Kyegegwa districts in Southwestern Uganda[57], IKEA Foundation's Re:Build project is piloting a risk-sharing facility that layers an incentives model on top of a first-loss guarantee to address existing bottlenecks to refugee lending[58], and the PROSPECTS partnership is providing both capital and technical assistance to de-risk and increase the financial viability of high impact projects benefiting refugees. More of such capital flows, financing structures and refugee lens investing can be expected in the next few years and will help to expand the refugee finance market, diversify the offerings, and solidify partnerships between humanitarian, development and private sector actors.

Recommendations for humanitarian, development and private sector actors:

- Blended financing must be provided with discretion: it is a catalytic tool for incentivising FSP entry and growth into the refugee finance space, and development partners should be careful about its modalities (length of time, segments in which it is leveraged, degree of coverage). Credit guarantees, matching grants to refugees and interest rate subsidies must be used as temporary subsidies to enable FSPs to launch new products and extend services and to extend their outreach to customer segments and new geographic areas, rather than to subsidize day-to-day operations of FSPs. They should also be delivered in a way that does not distort the market, both on the supply and demand sides. Kiva's open market crowdlending platform that ReFine leverages is an excellent example of a risk sharing mechanism that incentivises FSPs to scale lending without distorting or altering market realities like interest rates and other loan features.

- Additionally, donors and development partners should consider channeling more funds towards technical assistance to FSPs who have proved the economic viability of the refugee segment, to build their capacity, improve operational efficiencies and eliminate bottlenecks for seamless delivery of products and services. This will prepare FSPs to optimize their product design, lending and delivery processes in a way that ensures sustainability and addresses client needs.

[57] https://apply.uncdf.org/prog/230925_-_ug_-_refugees_financing_through_the_provision_of_loans_and_grants_for_businesses_and_income_generating_activities_to_enable_sustainable_livelihoods_second_publication_/
[58] https://www.rescue.org/sites/default/files/2023-06/FSP%20Learnings%20%26%20Insights%20May%202023.pdf

▲ **Above:** Samantha Simbi, an urban refugee and a beneficiary under the ReFine program was able to transition her mobile hair salon business to a standalone salon by using a mix of savings and credit. She also learned the basics of record keeping through the financial and business trainings.

2. Growth of refugee jobs in critical areas such as agriculture, trade, and services fueled largely by digital platforms and non-financial service offerings

Job creation is an integral part of the self-reliance agenda for refugees as it is an effective way people can rebuild their lives with dignity and in peace after forced displacement. Job creation has historically been delivered through placements, internships and investments in refugee skills training, technical and vocational education and training (TVET), and business development services for micro entrepreneurs. This trend is likely to continue.

The recent COVID pandemic and reduced humanitarian assistance have complicated living conditions for most refugees: many settlement-based refugees have been forced to take up commercial farming to supplement the dwindling food rations or pursue self-employment because of a lack of alternatives[59]. Urban refugees, who do not receive food rations pursue self-employment because of a lack of alternatives[59]. Additionally, because they do not receive financial assistance from OPM, urban refugees have to deal with the increased cost of living in urban and peri-urban areas, job loss, and effects of climate change on urban farming such as low yield. Helping refugees to find, retain and create jobs is an imperative for humanitarian, government and development partners alike.

The rising digital technology revolution in Africa is fueling a broader effort to use technology to enable, facilitate or improve people's work opportunities, productivity and livelihoods, particularly for the youth. This movement is popularly known as 'jobtech'. With one of the youngest populations in the world, a sizeable refugee youth population (24% between 15 and 24 years who like their hosts, are increasingly tech-savvy)[60] and a growing digital technology ecosystem, it is expected that Uganda's youth will leverage digital platforms to connect them to job opportunities that build livelihoods. A major initiative called JobTech for Refugees spearheaded by the Jobtech Alliance, a steering group comprising Mercy Corps and BFA Global, aims to build the jobtech ecosystem in Uganda by connecting 2,800 refugees to platform work opportunities[61] in partnership with RLOs.

Recommendations for humanitarian, development and private sector actors:

- Government and development partners should collaborate to strengthen implementation of policies that ensure that refugees enjoy equivalent rights in access to social and financial services, property ownership and eligibility for work.
- Private businesses, including FSPs, can develop innovative ways to include refugees in their workforce, whether through internships or placements such as those pioneered by UGAFODE. They can also offer a wide range of technologies and goods that can facilitate refugees' access to the job market. For example, in 2019, Microsoft partnered with UNHCR to empower 25,000 refugee and host community youth in Kakuma refugee camp in Kenya with digital skills and computer science training[62].
- RLOs should also work closely with development and private sector actors by identifying refugees with viable businesses in need of expansion (which would ultimately lead to job creation), recommend the skills in greatest demand by refugees, and reinforce retention of critical work ethics and principles needed by refugees to make meaningful contributions in the workplace. Jobfairs and matching events between job seekers and prospective employers should ensure to include refugees.

[59] Rebuilding livelihoods and displacement - Endline March 2022 - BFA Global, FSDU, FSDA, UKAID

[60] https://reporting.unhcr.org/operational/operations/uganda#toc-populations

[61] These work opportunities include a mix of work mediated online but delivered online (such as Uber), platforms where the work is both mediated and delivered online (such as online freelance work), digital services for microentrepreneurs (such as Jumia) or tech-enabled skilling (e.g. internships) that are facilitated through digital platforms

[62] https://www.unhcr.org/sites/default/files/2023-03/background-guide-challenge-3-refugees-access-to-jobs-and-financial-services.pdf

▲ **Above:** Representatives from the French government (French Ambassador to Uganda, AFD Country Director), Mercy Corps' Country Director and UGAFODE CEO pose for a picture with a female refugee in front of her shop in Makindye, Kampala

3. Increased public and private capital channeled toward climate change mitigation and adaptation in refugee contexts.

Climate change impacts can exacerbate existing vulnerabilities in refugee populations by affecting water and food availability, shelter conditions, and overall livelihoods. To address the challenges refugees face, climate change considerations are increasingly being integrated into broader humanitarian response strategies. Investments in climate change adaptation in the humanitarian sector are expected to grow over the next five years.

Recommendations for humanitarian, development and private sector actors:

- The Government of Uganda has taken leadership in this area by launching the Sustainable Energy Response Plan (SERP) for Refugees and Host Communities (2021 - 2025) with support from the German Ministry which seeks to integrate refugees into national energy planning and enable universal access to affordable, reliable and clean energy in an environmentally sustainable manner. Interventions over the next few years will be designed and implemented around thematic areas such as energy needs of households, SMEs, social institutions, and humanitarian operations such as cooking, lighting, power, heating and cooling.

The government will also have to explore how to engage private sector actors to meet the climate adaptation finance needs of the refugee population - particularly women, spurred by the rise in subsistence and commercial farming and the effects of climate change, through better access to credit for irrigation and afforestation.

- FSPs will need to develop innovative financing models and partnerships with fintech for the acquisition of household energy equipment and industrial equipment, explore partnerships with last-mile distributors to build out viable agent networks, and collaborate with energy providers to roll out extensive customer product education campaigns with excluded groups. Non-traditional financing schemes that work will fully consider user needs and preferences, ability and willingness to pay, local capacity and even gender issues.

- With the rise in commercial farming among the refugee population, it is likely that demand for climate adaptation finance in the agriculture sector may further spur demand for microinsurance for agriculture like weather-based index or crop insurance, as already piloted by Ensibuuko, m-Omulimisa and other Agtech firms[63].

4. Increased collaboration between RLOs and market actors like FSPs

As intimated in earlier chapters, RLOs offer a platform to access displaced communities and multiply impact of refugee-focused initiatives. By working with RLOs, actors are able to achieve the dual objectives of amplified impact and localization, which ultimately leads to sustainability. This realization, and the fact that RLO leaders wield tremendous influence within the refugee communities, is making the decision to partner with RLOs inevitable for FSPs and other market actors aiming to reach refugees with targeted, scalable interventions. However, RLO partnerships still face challenges arising from capacity, knowledge and skills gaps, particularly in regards to financial services.

Recommendations for humanitarian, development and private sector actors:

- INGOs, FSPs and donors should focus on increasing the inflow of funding and technical assistance to RLOs to build their organizational capacities, improve process efficiencies and close skills gaps in governance, financial management, risk management, partner and donor management.

- The development of more strategic partnerships between RLOs and government agencies, humanitarian and market actors will create larger scale and more sustainability for refugee financial inclusion.

[63] https://blogs.worldbank.org/nasikiliza/how-ugandas-tech-savvy-generation-z-transforming-its-agriculture

5. Increased focus on closing the gender gap in refugee digital financial inclusion

The growing focus on gender in impact investing may lead to increased funding for gender-inclusive interventions targeted at refugees. Additionally, there is emerging evidence that building and leveraging social and peer networks among refugee women is an effective way of closing gaps. In this regard, women-led RLOs are valuable partners and are likely to attract specific funding streams for capacity building.

Recommendations for humanitarian, development and private sector actors:
There is a need for public investment in gender-focused interventions to address the gender gap in financial inclusion. Tackling the barriers women face in accessing digital financial services has been shown to have positive externalities; for example, evidence shows a link between increased financial inclusion for women in Uganda and increased usage of mobile money platforms. In order to further strengthen financial inclusion for women, actors will need to prioritise:

- Support for financial products and services tailored to the specific needs of refugee women, such as women-facing microfinance initiatives and credit opportunities that facilitate economic empowerment.
- Empowering refugee women entrepreneurs through mentorship, capital provision and training for women-led enterprises.
- Support for initiatives that leverage technology to address gender-specific challenges, such as mobile applications targeted at women.

Above: Mercy Corps Yumbe field office

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